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Social Entrepreneurialism as Economic Development Policy

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SOCIAL ENTREPRENEURIALISM AS ECONOMIC DEVELOPMENT POLICY

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ABSTRACT

The overall theme of this dissertation is social entrepreneurship and economic development policy. Empirical studies show strong evidence of the important role entrepreneurship plays in economic development. Recently, social entrepreneurship has emerged as a distinct field of scholarly study with the potential to increase economic development activities. It has the added benefits of increasing social and human capital and of reducing market failure and government failure by assisting underserved and marginalized populations in improving their standards of living. In spite of this potential, entrepreneurship in general has been neglected as part of a comprehensive economic development policy. Social entrepreneurship in particular receives little mention in economic development policy discussions. While lip service is paid to entrepreneurship as part of a regional economic development strategy, most expenditures are dedicated to the zero-sum game of attracting large existing firms into individual regions.

Three essays focused on different aspects of social entrepreneurship and economic development. The first essay focuses on defining social entrepreneurship because the current lack of consensus impedes scholarly development and leaves policymakers without a clear direction regarding its incorporation into economic development policy. Corpus linguistic analysis is used as a structured approach to create a definitional framework of social entrepreneurship as a multidimensional continuum.

The second essay is a case study with the purpose of developing a framework for measuring the economic impact of the activities of a social enterprise. The essay uses a social accounting matrix (SAM) as the approach to quantify the impact of the case

subject on economic activity, job creation, and income. Both scholars and policymakers could use this framework as a tool to better understand the economic impact of social enterprises and policies supporting them.

The third essay examines benefits corporations and their impact on economic development. Benefit corporations are a recently created legal form of organization that codifies an organization's responsibility to create a public benefit while also balancing the fiduciary responsibilities required to make the organization financially viable. The essay also studies the suitability of this legal form for social enterprises and analyzes arguments for and against benefit corporations. The essay includes a study of the types of benefits produced by benefit corporations in the state of California and examines the impact on economic development from a traditional viewpoint as well as the broader "capabilities approach". The essay also proposes several theoretical explanations of how benefit corporations (or similar social enterprises) fund the creation of public benefits. Finally, the essay undertakes a statistical study to compare the failure rates of benefit corporations and conventional corporations. This essay provides policymakers with a clearer understanding of the potential of benefit corporations to impact economic development. It also discusses some of the impediments to the adoption of benefit corporations and provides suggestions for mitigating these impediments. The essay provides scholars with a framework for further research on benefit corporations and economic development.

DEDICATION

To my wife Cristie and my daughters. Thank you for your love, support, and patience. Also, in memory of my parents George and Katherine Staples who always encouraged me to learn.

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CHAPTER ONE

INTRODUCTION: OVERVIEW OF SOCIAL ENTREPRENEURSHIP AS ECONOMIC DEVELOPMENT

Introduction

Entrepreneurship has long been viewed as a key component of economic growth and development. In his book *The Theory of Economic Development*, Schumpeter (1934) posits that economic development involves the transfer of capital from old firms with established methods of production to firms with new, innovative processes. According to him, the actions of entrepreneurs in developing and implementing new innovations are the linchpin of this economic development process. Schumpeter (1950) states that ". . . the function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on." (*ibid*, p. 132 (2008 edition)). In this work, he also describes the entrepreneurial process of "creative destruction" where old methods are continually destroyed in the process of creating new and better ones.

Much earlier, French economist Jean-Baptiste Say discussed the central role of the entrepreneur in the economy. Say is credited as the first to use the term "entrepreneur" in its modern sense, and was also the first to recognize the role of the entrepreneur as distinct from the role of the capitalist in the economic process. Say had first-hand experience as an entrepreneur and believed that an entrepreneur's task is to combine the productive factors of capital, knowledge, and labor into a business (Quddus & Rashid, 2005). Some basic models of the economy still include entrepreneurship (along with natural resources, labor, and capital) as one of the fundamental factors of production (Hubbard & O'Brien, 2009).

Entrepreneurship and Economic Development Policy

Innovation, coupled with an active entrepreneurial system, is critical to regional economic competitiveness (Barkley, Henry & Lee, 2008). All state governments and many local governments have offices or departments organized for the purpose of promoting economic development. However, in spite of the potential that entrepreneurship offers for economic development, most regional economic development policies are aimed at recruiting large industries to a region. Derisively termed "smokestack chasing" or "buffalo hunting", state and local governments use subsidies, tax incentives, or other financial inducements to entice large firms to relocate or expand to their areas (McGahey, 2008). One issue with using financial incentives to attract businesses to an area is that the competing state or municipalities are playing a zero-sum game from a national perspective. Instead of making relocation or expansion decisions based upon which location offers the most natural advantages, firms often choose a location based upon which area offers the largest incentive package. It cost an estimated $900 million in incentives for South Carolina state and local governments to entice Boeing to build its 787 plant in North Charleston (Slade, 2010). While the return on this expense is arguable, rather than creating wealth, the incentive package amounts to wealth transfer from the taxpayers to the corporation. This transfer does not even take into account the large amount of effort and expenses incurred by the unsuccessful suitors. Markusen & Glasmeier (2008, p. 86) state that it is both “inefficient and unjust for taxpayer dollars to redistribute jobs and economic activity if net new wealth and income are not generated”. Sometimes the incentives do not even result in job creation. For example, Chinese-owned Lindenburg Industries LLC received $1.4 million from the Virginia Governor’s Opportunity Fund as part of a deal to invest in a shuttered furniture plant in Appomattox County. The firm committed to create 349 jobs and invest $113 million in the venture. However, not only have no jobs been created, but also the firm is delinquent on its municipal tax and water bills (Walter & Rohr, 2015). The state is now attempting to recover the money paid to the firm (Petska, 2016).

Industrial recruitment as an economic development strategy is highly enticing to elected officials. The allure of the fanfare of ribbon cutting ceremonies and their accompanying photo ops and media coverage is much more compelling than a person starting a small business in his or her garage or basement. However, the advantages of entrepreneurship-driven economic development over buffalo hunting are significant. Neumark, Wall, and Zhang’s (2011) empirical study of job creation and firm size found that small businesses do indeed create more jobs than larger ones. While small businesses are not necessarily all start-up business, most firms start as small businesses and as they grow eventually cease to be small businesses. Thus, it is likely that new firms make up a significant portion of those small businesses creating jobs. Haltiwanger, Jarmin, and

Miranda's (2013) research also supports the notion that start-up firms account for a disproportionate share of job creation. They found that start-up firms account for just 3 percent of employment, but are responsible for almost 20 percent of gross job creation. They conclude, "Our findings emphasize the critical role start-ups play in U.S. employment growth dynamics" (*ibid*, p. 348). Other potential benefits of economic development driven by entrepreneurship include more balanced effects on income distribution (Martin, Picazo, & Navarro, 2010), a greater multiplier effect on the local economy since profits are less likely to be repatriated out of the region, and less rent-seeking since smaller firms lack the organization, clout, and incentive to engage in aggressive political lobbying.

Despite these benefits, most incentives for economic development go to big corporations. An analysis of over 4,200 economic development incentive awards in 14 states found that large businesses were awarded 90 percent of the $3.2 billion in incentives, despite ostensibly equal accessibility for small companies (LeRoy, et al., 2015). A review of the Virginia Senate Finance Committee's proposed general economic development incentive programs for fiscal years 2017 and 2018 shows that of the $281.9 million proposed, only $28.6 million is specifically targeted toward small businesses and none of it is specifically targeted toward entrepreneurs (Virginia Senate Finance Committee, 2016). Drabenstott (2008) calls for economic development policies that ". . . explicitly embrace the critical role of entrepreneurs as drivers of development" (*ibid*, p. 94).

Social entrepreneurship has emerged recently as a separate field of study. Just as entrepreneurs existed long before Say coined the phrase, social entrepreneurs have existed long before the term came into popular use. For example, some authors (*e.g.*, Drayton, 2002) consider Florence Nightingale to have been a social entrepreneur. Based on the analysis of Schumpeter's early writings, Knudsen and Swedberg (2009) claim that Schumpeter viewed entrepreneurship not just as a vehicle for economic development, but as a driver of social change. Some authors (*e.g.* Dees, 1998) consider social entrepreneurship to be a subset of entrepreneurship. Like conventional entrepreneurship, social entrepreneurship has potential to generate economic growth and development. However, social entrepreneurship has an added dimension that potentially makes it even more attractive as an economic development tool to policy makers. Social entrepreneurship involves entrepreneurship with a social mission and creates social as well as economic value (Choi and Majumdar, 2014). Also, social entrepreneurs are directly involved in creating social capital, which is a key component of economic development (Leadbeater, 1997). Woolcock and Narayan (2000) define social capital as ". . . the norms and networks that enable people to act collectively" (*ibid*, p. 225). They posit that that a key for understanding the potential for development in a given society is the "nature and extent of interactions between communities and institutions" (*ibid*, p. 243).

In addition to promoting economic development, policy makers at all levels of government are tasked with providing social services, particularly in cases where private sector markets fail to adequately provide essential services to a segment of the population. Mikami (2014) claims that social enterprises can fill the void between both market failure and government failure. This void exists where provision of needed services is not sufficiently profitable or is too risky to attract commercial enterprises and where governments do not provide these services because of lack of resources or political will. Indeed, some governments are considering social enterprises as a potential means of social service provision that they once provided, but are increasingly difficult to provide because of budget cuts and austerity measures. In economic terms, one could state that social entrepreneurship has the potential to create positive externalities, or positive spillovers in the process of its economic activity.

Because of its potential to provide social benefits in addition to economic development, both scholars and policymakers have suggested that government should enact policies that actively support social entrepreneurship (*e.g.* Korosec and Berman, 2006; Choi and Majumdar, 2014). This dissertation explores several dimensions of social entrepreneurship that could provide useful information to policymakers as well as further the scholarly study of the field of social entrepreneurship, particularly in relation to economic development.

Overview of Chapters

The first issue addressed in Chapter 1 is the definition of social entrepreneurship. While the number of journal articles on the topic of social entrepreneurship has grown since 1997, scholars have not yet come to a consensus on how to define social entrepreneurship (Short, Moss, and Lumpkin, 2009). The lack of a clear definition has limited the advancement of social entrepreneurship as a field of scholarly study (Bacq and Janssen, 2011; Christie and Honig, 2006). Moreover, the lack of a clear definition creates a dilemma for policymakers who may be interested in enacting policies related to social entrepreneurship. Without a clear definition, it is difficult to prevent organizations from inappropriately claiming benefits supportive of social entrepreneurship. A lack of a clear definition makes analysis of the effectiveness of a policy difficult, because it is difficult to operationalize meaningful measures of impact.

A study of 64 articles about social entrepreneurship from major management journals is undertaken in Chapter 1in order to identify key elements to include in a definition of social entrepreneurship. The corpus linguistic methodology is used to gain insight into what scholars mean by social entrepreneurship beyond the fragmented, multiple, highly contested meanings found in the body of literature. Corpus linguistics is a method of analysis that draws upon both qualitative and quantitative text analysis techniques (Pollach, 2012). It combines computer-aided quantitative text analysis techniques with a qualitative examination and interpretation of the quantitative results (Pollach, 2012, citing Biber, Conrad, and Reppen, 1998). The end result is a proposed definitional framework to use for further research on social entrepreneurship. This definitional framework can help focus and clarify the discussion of social entrepreneurship as a field of scholarly study. Also, it provides a starting point for policymakers to better understand, define, and measure social entrepreneurship for the purpose of public policy formulation, implementation, and evaluation. In addition, the analysis provides further insights on the relationship between economic development and social entrepreneurship.

A case study of the economic impact of a social enterprise is presented in Chapter 2. The case study provides a framework for assessing the economic impact of social entrepreneurship, including indirect effects such as income distribution, as well as other social effects. The existing body of literature in social entrepreneurship contains a number of case studies discussing the impact of social enterprises. However, the large majority of these case studies are qualitative and do not quantitatively assess the impact of social entrepreneurship on economic activity.

This study utilizes Social Accounting Matrix (*SAM*) techniques to make a quantitative assessment of economic impact and income distribution effects. The framework will provide policymakers with useful tools to understand the potential impact of economic policies related to social enterprises in an ex ante analysis, or to evaluate the impact of established policies in an ex post analysis. The framework could also provide leaders of social enterprises and their advocates with tools to demonstrate the value of their work. In addition, it could provide scholars a quantitative means to compare the effects of different policies or other variables on the economic output of different social enterprises.

According to some authors (*e.g.*Tracey and Phillips, 2007; Hockerts, 2006), social enterprises are not restricted to any particular legal organizational structure, but may take on whatever legal form will best suit the organization's goals and needs. Many social entrepreneurs form nonprofit organizations, but others have formed corporations or limited liability companies. The benefit corporation has recently emerged as an alternative legal organizational form that may be particularly attractive to social entrepreneurs. The first benefit corporation statute was enacted in Maryland in 2010. Since then, similar statutes have been passed in the majority of states (B Lab, 2016). One argument put forth in support of benefit corporation legislation is that it would help spur economic development (Rawhouser, Cummings, & Crane, 2015).

The potential role of benefit corporations in social entrepreneurship and economic development is the topic of Chapter 3. After a background study of emergence of benefit corporations, the public benefit reports of benefit corporations that were chartered in California in 2012 and 2013 are used to evaluate their impact on economic development. Part of this study is a preliminary statistical evaluation of whether benefit corporations are more or less likely to fail than conventional corporations. In addition, the study examines whether benefit corporations are actually engaged in social entrepreneurship and if this organizational structure is well-suited for social enterprises. Finally, the chapter explores the potential role of government policy in increasing the impact of benefit corporations on economic development.

These three essays cover important topics related to social entrepreneurship and economic development policy. However, they only cover a small portion of the potential issues in this area. This dissertation concludes with a summary of the insights gained from the studies and suggests some important areas for further research. Because the three main essay chapters are written to stand alone as individual journal articles, some redundancy exists between these chapters.

CHAPTER TWO

DEFINING SOCIAL ENTREPRENEURSHIP

Introduction

Social entrepreneurship (SE) is often promoted as an important means for economic and community development (e.g. Wallace, 1999; Squazzoni, 2009; Anderson, Dana, & Dana, 2006). However, one of the roadblocks to furthering social entrepreneurship as a field of study is the lack of a consensus definition of the term social entrepreneurship, or related terms such as social entrepreneur or social enterprise[1]. In a review of the literature, we find that social entrepreneurship started to become a popular topic after 1997, as few articles appeared before 1997.

This lack of a consensus regarding the definition of the concept of social entrepreneurship creates several barriers to the scholarly development of the field (Bacq and Janssen, 2011; Christie and Honig, 2006; Weerawardena & Mort, 2006). First, scholars note that dialogue is inhibited, hindering true understanding and cumulative knowledge development, without some consensus around a definition of social entrepreneurship. Indeed, Smith-Hunter (2008) reiterated that, "A definitive meaning is fundamental to a follow up discussion on various elements of social entrepreneurship, since the definition frames the discussion that ensues" (Smith-Hunter, 2008, p. 103). Short, Moss, and Lumpkin (2009) argue that the lack of a unified definition makes it difficult to establish the legitimacy of a field. Next, a natural consequence stemming

[1] For the purpose of this discussion, we refer to social entrepreneurship as the process, social entrepreneur as the individuals or groups, and social enterprise as the organizations involved in the phenomenon of social entrepreneurship. We exclude other meanings of social enterprise (such as an organization whose primary purpose is to provide a social service without regard to process or structure).

from a lack of a unifying definition is difficulty with research subject selection, because without a clear definition of social entrepreneurship, how does one select research subjects? Subject selection is based on each author's own criteria rather than some standard selection criteria or definition. Lack of consensus around subject selection could call the conclusions of studies into question. Also, replication of studies could be difficult, particularly for empirical studies, because poorly-defined selection criteria inhibits sound statistical design.

From a practitioner's view, the ambiguity around defining social entrepreneurship can make endeavors such as policy formulation difficult. For example, Choi and Majumdar (2014) state that governments have begun encouraging new social entrepreneurial initiatives, including the provision of funding. Korosec and Berman (2006) discuss how social enterprises can benefit from the support of governments. If government supports social enterprises, vague definitions can be problematic if policies and the accompanying provision of assistance are to be applied consistently and equitably. Inconsistent application of policy opens the government agencies tasked with implementation to potential legal challenges and also could delegitimize the policy in the eyes of the public.

While defining social entrepreneurship presents one challenge, verification and operationalization are perhaps greater challenges. Verification entails how one determines whether an organization or individual actually conforms to the stated definition. For example, any organization can claim a social mission, but how is this claim to be verified? The challenges of verification and operationalization of social entrepreneurship are closely related to challenge of measuring the actual impact of social organizations (Paton, 2003). This issue of verification and measurement is not only important in subject selection for research, but in implementation of public policy related to social entrepreneurs or social enterprises. Operationalization is necessary to help those charged with policy implementation determine when an organization is in compliance with policy requirements. It can also aid in quantifying impact, which can provide policymakers and their agents with information to help set priorities for future legislation and budgets.

To gain a more nuanced understanding of the bounds of social entrepreneurship, we first review the literature related to defining social entrepreneurship, We then discuss the method we employ, corpus linguistic, to determine the bounds, ultimately arguing that social entrepreneurship exists on a multidimensional continuum. Overall, we extend the current definitions of social entrepreneurship to a more versatile conceptualization of social entrepreneurship as a multi-dimensional continuum. This approach provides a richer context to understand the multiple facets of social entrepreneurship. Our approach also allows researchers to shift the focus from a discussion of “What is social entrepreneurship?” to a more fruitful discussion of understanding specific elements that define the concept of social entrepreneurship. We do this by creating a framework and common vocabulary with which to discuss social entrepreneurship.

Review of the Literature

Current Conceptualizations and Frameworks

The study of social entrepreneurship has crossed a number of disciplinary boundaries, employing a variety of methods and conceptual approaches. While some suggest that social entrepreneurship is a sub-discipline of entrepreneurship (*e.g.*, Dacin, Dacin and Matear, 2010; Dees, 1998), which traditionally might fall within the realm of management, the literature also contains articles from disciplines such as economics, healthcare, and education (*e.g.*, Catford, 1998; Rhoades, 2006).

Overall, there are a myriad of definitions of social entrepreneurship. Some studies employ multiple definitions, ranging from the broad or inclusive, to the narrow or exclusive. For example, on the inclusive side, Mair and Marti (2006: p. 37) define social entrepreneurship as ". . . a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs." On the exclusive side, Lasprogata and Cotten (2003: p. 69) state that ". . . social entrepreneurship means nonprofit organizations that apply entrepreneurial strategies to sustain themselves financially while having a greater impact on their social mission." By this latter definition, social entrepreneurship cannot exist outside the realm of nonprofit organizations. Many find this type of narrow definition to be overly restrictive and stifling to the development of social entrepreneurship as a field of study (*e.g.*, Light, 2006).

As defining the bounds of social entrepreneurship is so critical, some articles focus on the definitions themselves. For instance, Dacin, Dacin, and Matear (2010: p.

38) explored the extant definitions of social entrepreneurship, including the term social entrepreneur, and found 37 different definitions. They categorized the definitions into the following four key groups: 1. "the characteristics of individual social entrepreneurs"; 2. "their operating sector"; 3. "the processes and resources used by social entrepreneurs"; and 4. "the primary mission and outcomes associated with the social entrepreneur".

Others have created typologies of social entrepreneurs or social enterprises based on characteristics they observed. For example, Zahra, Gedajlovic, Neubaum, and Shulman (2009) classify social entrepreneurs as social bricoleurs, social constructionists, or social engineers. The types are differentiated by the focus of their work, and also the scope, scale and timing of their work. Social bricoleurs are social entrepreneurs who act upon opportunities to address local social needs for which they have the resources and expertise to address. Their work tends to be local in scope, small in scale, and often episodic in nature. Social constructionists are focused on addressing social needs that cannot be easily addressed by government agencies or businesses. The scale and also the scope of their work may vary from small to large and from local to international. The intent of their work is to address ongoing social needs, and it is designed to be carried out by institutions, which are established to implement long-term social goals. Social engineers aim to replace existing systems with newer ones to more effectively meet social needs. The scope of their work is very large, and the scale is national to international. The intent is to build lasting structures that will challenge the existing order. Zahra, Gedajlovic, Neubaum, and Shulman's typology also lists other characteristics of the three different types of social entrepreneurs such as the social significance of their work and limits to discretion. However, these other characteristics seem to be functions of the nature of the work, and its scale, scope, and timing.

Alter (2007) proposes a different typology that classifies social enterprises according to mission orientation and business/ program integration. Mission orientation refers to the primary purpose of the organization. It is a continuum where at one extreme there is a “mission centric” organization with the sole purpose for existence being to fulfill a social mission, and at the other extreme an organization with no social mission that provides a social service solely for the purpose of generating profits. Business/program integration refers to degree to which the social programs and business activities of an organization are integrated. On one extreme of the continuum, social programs and business activities are one and the same. In other words, financial and social benefits are achieved simultaneously. On the other end of the continuum social programs are completely separate from business activities. Alter calls these organizations “external social enterprises”. Their business activities generate profits, but not social benefits (Alter, 2007: p. 25). However, profits are used to separately fund social programs. She further states that classifications of social enterprise by operational model, organization and legal structures, and methodology (strategies). The operational model defines the relationship between the social enterprise, its target population, the market, and the flow of services and finances between or across these entities. The models can be combined to create complex or mixed models, and can be enhanced with franchise models or partnership models. Organizational structure refers to the social enterprise’s organizational relationship with its parent organization (if it has one). Social enterprise methodology refers to different strategies a social enterprise may use to create and increase social impact while maintaining financial sustainability.

Bacq and Janssen (2011) categorize definitions related to social entrepreneurship and the scholars who created these definitions into three different schools of thought: “The Social Innovation School”, “The Social Enterprise School”, and “The EMES network” (named after the first research program of a scientific network of European Union researchers and research centers established to study social enterprises in Europe). The categorization is based upon differences in three key variables involved in social entrepreneurship, the role of the individual, the process, and the organization. The first two schools of thought listed had their origins in the U.S. while the third originated in Europe.

As the name implies, the Social Innovation School focuses on using innovation to solve social problems or address social needs. Its perspective focuses on innovative and visionary individual entrepreneurs. Ashoka and its founder Bill Drayton are credited with being at the root of this school’s founding (Dees and Battle Anderson, 2006). Ashoka finds and supports outstanding individual social entrepreneurs in their efforts to bring about broad social change.

The Social Enterprise School focuses on income generation in the process of conducting a social mission. For example, the Homeless Economic Development Fund (now the Roberts Economic Development Fund) was founded to support business ventures that create employment opportunities for individuals such as ex-convicts who faced significant barriers finding jobs in the mainstream economy (Roberts Economic

Development Fund, 2016). The EMES Network focuses more on the social enterprise and its mission of creating public benefits.

With both the EMES Network and the Social Enterprise School, the collective or organizational aspect of the work is emphasized more than the work of the individual entrepreneur. While all three schools agree that a social mission is essential to social entrepreneurship, the Social Innovation School and EMES network require that the economic activity be linked to the social mission. The Social Enterprise School does not require this link, but allows for commercial pursuits that fund social activities. The Social Enterprise School generally only recognizes that social initiatives originate in nonprofit or government organizations. The other two schools allow for more flexibility and variety in legal structures. Europe has a larger variety of legal structures for organizations with social missions than does the United States (Bacq and Janssen, 2011).

In addition to the proposed typologies, Choi and Majumdar (2014) argue that social entrepreneurship is a 'cluster concept', which is a conglomerate of certain ideas that represent the defining properties of the cluster concept. Overall, they leverage the theory of essentially contested concepts (Gallie, 1956) to argue that social entrepreneurship is a contested concept. An essentially contested concept is a concept where multiple groups have differing views of the concept resulting in endless disputes about the concept's meaning. Gallie proposed a framework of seven key criteria of essentially contested concepts. Choi and Majumdar argue that social entrepreneurship fits these seven key criteria. Therefore, a universal definition of social entrepreneurship is hardly possible. However, conceptualizing social entrepreneurship as a cluster concept provides a tool to help advance the study of social entrepreneurship despite its contested nature. Choi and Majumdar call the concepts, which define the cluster concept, "sub-concepts". They propose five sub-concepts to define the cluster concept of social entrepreneurship. Social value creation is the encompassing sub-concept and is necessary for the cluster concept to exist. The other sub-concepts are the social entrepreneur, the social entrepreneurship organization, market orientation, and social innovation. Choi and Majumdar acknowledge that some of the sub-concepts or their components, such as "social", may themselves be contested concepts. However, although they add insight into placing bounds around the conceptualization of social entrepreneurship, they do not explain the process by which they arrived at these sub-concepts, nor do they give specific guidance on what are sufficient conditions for the existence of social entrepreneurship.

The myriad of definitions, frameworks and typologies have prompted further research and discussion about the value and importance of social entrepreneurship, yet, as with most works, there are limitations with these frameworks. For instance, one of the potential gaps of the cluster concept framework (Choi & Majumdar, 2014) is that that the definition of social entrepreneurship is based upon the presence (or absence) of the sub-concepts that constitute cluster concept. For example, if the mere presence of "social value creation" and "market orientation" were sufficient conditions to state that a given organization is involved in social entrepreneurship, a large percentage – perhaps the majority – of major corporations could claim to be social enterprises. Thus, this paper seeks to gain a more nuanced insight into the essential elements that comprise the concept of social entrepreneurship by combining corpus linguistics with the framework of a multi-dimensional continuum.

Social Entrepreneurship as a Multi-dimensional Continuum

While there is some value to the using the cluster concept to define social entrepreneurship, this approach could be problematic. We suggest that most, if not all, for-profit and nonprofit organizations are, or recently have been engaged in some amount of social value creation, market orientation, and perhaps social innovation. Thus, with this cluster concept as the basis of a definition, most organizations could claim that they are involved in social entrepreneurship. If government policy creates financial or other incentives for social entrepreneurship, what is the basis for excluding an organization from claiming the benefits of a particular policy? Rather than argue about whether an organization (or individual) is engaged in social entrepreneurship, we propose a more fruitful approach is to discuss to the degree to which an organization is engaged in social entrepreneurship. This approach still requires that the term social entrepreneurship be defined. However, the definition will not create a dichotomous definition, but will be more akin to a balanced scorecard (Paton, 2003; Kaplan & Norton, 1992). Therefore, we propose a conceptual framework for defining social entrepreneurship by extending prior work, the cluster concept, to use multiple continuous dimensions rather than sub-concepts. Other authors have suggested that social entrepreneurship exists on a continuum (*e.g.* Austin, Stevenson, & Wei-Skillern, 2006; Alter, 2007; Bacq & Janssen, 2011). However, we utilize a structured approach that includes empirical analysis to define which elements should comprise the continua. Naturally, as we are defining social entrepreneurship, the definition will include a "social" component and an "entrepreneurial" component that will be composed of one or more continuous dimensions. Other components of a definition may also exist. Thus, to determine what dimensions are essential in defining social entrepreneurship, we use corpus linguistic analysis as explained in the next section.

Methodology

To gain insight into the variety of conceptualizations of social entrepreneurship, we searched the following entrepreneurship and management journals for our analysis: *Academy of Management Review, Academy of Management Journal, Administrative Science Quarterly, Entrepreneurship and Regional Development, Entrepreneurship Theory and Practice, International Small Business Journal, Journal of Business Venturing, Journal of Small Business Management, Organization Science, Small Business Economics, and Strategic Entrepreneurship Journal.* We selected articles from these journals with "social entrepreneur" or "social entrepreneurship" as a key word from the years 1965 – 2014. These journals were chosen because they are widely read and have significant impact in the field of management and entrepreneurship. A total of 64 articles matched our search criteria. We focused on management journals for two key reasons. First, within the body of literature of social entrepreneurship, management has the largest representation. Second, by focusing on management journals, we reduce variation from the analysis that would result from using terminology found in other disciplines.

Next, we created a corpus consisting of the 64 previously mentioned articles to explore the concept of social entrepreneurship. Specifically, we leverage the corpus linguistic method to gain insight into what scholars mean by social entrepreneurship beyond the fragmented, multiple, highly contested meanings already discussed. Corpus linguistics is a method of analysis that draws upon both qualitative and quantitative text analysis techniques (Pollach, 2012). It combines computer-aided quantitative text analysis techniques with a qualitative examination and interpretation of the quantitative results (Pollach, 2012, citing Biber, Conrad, and Reppen, 1998). This analysis can be used to identify themes in a corpus and can quantitatively measure the strength of relationships between relevant keywords and themes. Typically, as discussed below, corpus linguistics includes computer-aided calculation of word frequency and dispersion, a collocation analysis, and a keyword-in-context (KWIC) analysis. It may also include a comparison to another corpus or a reference corpus.

Our corpus linguistic analysis employs a quantitative and quantitative examination of relative frequencies, collocations, and concordances of key terms surrounding social entrepreneurship. Word frequencies are important to examine because this represents “statistically significant lexical” words that reveal patterns in the data beyond just a count. The goal of a keyword-in-context analysis is to determine the words that are “key” (frequent and meaningful) to a certain data set.

In addition to frequency, it is vital to examine the dispersion of keywords, as dispersion indicates whether the words of interest, such as social, are clustered in just a single article or throughout many of the articles. Thus, dispersion indicates if just a few of the authors are discussing the term or the majority, indicating relevance in defining the bound of social entrepreneurship. Next, we study the collocation or co-occurrence of keywords by examining both the similarity and distance between words. A collocation is "a relationship of habitual co-occurrence between words" (Stubbs, 1995, p. 2). Moreover, collocation analysis "reveals discourse patterns and meanings that are evident neither from frequency lists of individual words nor the reading of large volumes of text in a manual analysis" (Pollach, 2012: 270). When two words occur in the same defined space (usually a paragraph or a sentence), the two words are said to be collocated or to co-occur.

One quantitative measure that can be used in the collocation analysis is the Jaccard Coefficient (also called the Jaccard's Index of Similarity). The Jaccard Coefficient is calculated by dividing the size of the intersection of two sets of attributes by the size of the union of the two sets. The Jaccard Coefficient can be interpreted easily because it represents how often two words or terms occur together when they occur at all. For example, a Jaccard of .15 means that the two words being studied occur together 15 percent of the time when either or both words are used in a defined space. Unlike statistics such as z-scores, the Jaccard does not have a probability associated with a particular numeric value. However, in a given dataset, a higher Jaccard value indicates a stronger collocation (Groshek & Al-Rawi, 2013). Measures of probability depend on several parameters involved in the datasets and require intense computational processing power (Real & Vargas, 1996; Real, 1999). The WordStat software does not attempt to calculate probabilities because when analyzing bodies of text, the Jaccard is not used by itself to draw definitive conclusions about the significance of the collocation of words or phrases. Rather, as explained in the next paragraph, it is used to identify and prioritize terms for further study using other tools such as keyword-in-context.

It is important to understand the true meaning of a term, and that requires understanding the context in which a word is being used. High frequency, high dispersion, or strong collocation alone are insufficient to declare that a given term is relevant. Thus, we use keyword-in-context (KWIC) searches to examine the meaning of the word embedded in the context. This enables us to determine patterns of meanings with word usage. Finally, to further explore the meanings which have been unveiled, we examined the phraseology (how each author uses the words), to reaffirm discovered collocations and keywords themes, thus reemphasizing our prior findings, which we will discuss.

To perform the KWIC and collocation analyses, we utilized QDAMiner 4.0 and Wordstat 4.0 software applications. Using the combined quantitative and qualitative analyses discussed, we uncovered several distinctive patterns, which we discuss in detail in the results section. Overall we find the following keywords to be important and relevant in defining social entrepreneurship: social, economic*[2], development*,

[2] In this essay the asterisk is used to represent the wild card symbol for a word stem. For example, a search on "economic*" would return any word that has the stem "economic", such as "economics" or "economical".

community, institutional, nonprofit*, innovation, and ethic*. We also found social capital, economic development, social value creation, and social innovation to be relevant key phrases in defining social entrepreneurship. We used these relevant key words and key phrases to develop a definitional framework with two essential dimensions of social entrepreneurship with each essential dimension containing two elements, and a third descriptive dimension containing three elements.

Results

Our analysis revealed that authors frequently discussed certain words and phrases when exploring social entrepreneurship (Table 2.1). We, therefore, explored the relevance of each of the words in defining the scope of social entrepreneurship. Specifically, we examined the frequencies, collocation with other key terms, phraseology and correspondence or keyword-in-context (KWIC) to understand the full meaning of the terms. We explored the following frequently dispersed terms: social, resource*, economic*, development*, community, institutional, relationship*, network*, provide*, nonprofit*, role*, innovation, and ethic*. Ethic* had a somewhat lower frequency and dispersion than the other terms we explored. However, we believed that the term could provide important insights into a definition of social entrepreneurship. Capital was not used because it was used later in analyzing the key phrases. Society was not explored further because of its high degree of redundancy with the term social. Note that in our study, a "case" is defined as a specific journal article.

Table 2.1 Social Entrepreneurship Key Word Frequencies and Dispersion

KEYWORD	FREQUENCY	% CASES
SOCIAL*	11,949	96.90%
RESOURCE*	2,222	92.20%
ECONOMIC*	2,101	93.80%
DEVELOPMENT*	1,702	93.80%
INSTITUTIONAL	1,281	81.30%
COMMUNITY	1,166	84.40%
NONPROFIT*	909	64.10%
CAPITAL	816	82.80%
NETWORK*	805	81.30%
INNOVATION	801	85.90%
RELATIONSHIP*	721	84.40%
PROVIDE*	681	92.20%
SOCIETY	658	87.50%
ROLE*	653	93.80%
COMMERCIAL	649	79.70%
SUPPORT	544	90.60%
BRICOLAGE	474	20.30%
KNOWLEDGE	441	84.40%
LEGITIMACY	439	67.20%
POLITICAL	435	81.30%
ECONOMY*	417	76.60%
MOTIVATION*	367	64.10%
POWER	361	76.60%
UNDERSTANDING	357	85.90%
ETHIC*	342	60.90%

To corroborate the importance of these works and gain further insight we also investigated the phrases of social capital, economic development, social economy, social innovation, and social value. For instance, social is considered an important term in defining social entrepreneurship. However, this term itself is very ambiguous and our analysis reaffirms that the term social is used loosely when discussing social entrepreneurship. Further, the words that co-occurred together the most were social and economic. Specifically, social co-occurred with economic 634 times and had the strongest co-occurrence (Jaccard .151). Social co-occurred with resources 505 times Jaccard (.119), and co-occurred with enterprise 454 times (Jaccard .114) and were the terms with the next strongest co-occurrence (Table 2.2.). Thus when using the term social, the focus was on economy, enterprises, resources and many terms often used with commercial entrepreneurship. This co-occurrence with traditional words used to define entrepreneurship support assertions (*e.g.* Dees, 1998) that social entrepreneurship is a subset of entrepreneurship. Dacin, Dacin, and Matear (2010, p. 42) believe that ". . . the creation of social value is often closely linked to economic outcomes that, in turn, produce financial resources social entrepreneurs use to achieve their social mission." Leadbeater (1997) posits that social entrepreneurship involves the identification of under-utilized resources that are subsequently put to use in satisfying unmet social needs. Further, we examined the more detailed contextual usage and patterned meanings of the way social was being discussed via a keyword-in-context (KWIC) analysis. Table A.1 contains representative samples of excerpts of "social" used in the context of the analysis.

Table 2.2 Social Collocations

TARGET	KEYWORD	Jaccard
SOCIAL	ECONOMIC	0.151
SOCIAL	RESOURCES	0.119
SOCIAL	ENTERPRISE	0.114
SOCIAL	DEVELOPMENT	0.103
SOCIAL	CHANGE	0.098
SOCIAL	PROFIT	0.095
SOCIAL	ENTERPRISES	0.091
SOCIAL	COMMERCIAL	0.088
SOCIAL	OPPORTUNITIES	0.088
SOCIAL	CREATION	0.087
SOCIAL	COMMUNITY	0.082
SOCIAL	MISSION	0.08
SOCIAL	INSTITUTIONAL	0.075
SOCIAL	IMPORTANT	0.073
SOCIAL	MARKET	0.071
SOCIAL	CAPITAL	0.071
SOCIAL	CREATE	0.069
SOCIAL	PROBLEMS	0.068
SOCIAL	ROLE	0.067
SOCIAL	FINANCIAL	0.065
SOCIAL	INNOVATION	0.064
SOCIAL	RESOURCE	0.061

For each of the terms that were frequently used with social entrepreneurship, we conducted collocation and KWIC analyses. For instance, the term resource was dispersed throughout the majority of the articles, consistently emphasizing that social entrepreneurs need, seek, and use resources to accomplish their goals. This result is not surprising as resource scarcity and access are a central topic in the extant entrepreneurship literature. A secondary theme in the articles is that social entrepreneurs may act even when resources are highly constrained (See Table A.2 for examples.). Mobilization was the most strongly associated term with resource (Jaccard .16) (Table 2.3.). In the entrepreneurship literature resource mobilization is a widely discussed topic because entrepreneurs need resources. Yet, overall although there is a wide discussion about resources similar to the discussion found in the more general entrepreneurship literature, the term does not appear to be essential in defining the bounds of social entrepreneurship. Admittedly, resources are important and some even argue that social enterprises often face greater resource constraints than other organizations (Austin, Stevenson & Wei-Skillern, 2006). However, overall social entrepreneurs appear to view resources in much the same way as conventional entrepreneurs; supporting assertions of multiple authors that social entrepreneurship is a subset of entrepreneurship (Dees, 1998, Dacin et al, 2010). Nevertheless, the term itself does little to differentiate social enterprises from other organizations that need and use resources.

Table 2.3 Resource Collocations

TARGET	KEYWORD	Jaccard
RESOURCE	MOBILIZATION	0.16
RESOURCE	RESOURCES	0.148
RESOURCE	BRICOLAGE	0.117
RESOURCE	ENVIRONMENTS	0.088
RESOURCE	DEPENDENCE	0.088
RESOURCE	PROVIDERS	0.083
RESOURCE	INSTITUTIONAL	0.079
RESOURCE	ACQUISITION	0.068
RESOURCE	VIEW	0.068
RESOURCE	ENVIRONMENT	0.067
RESOURCE	CREATE	0.065
RESOURCE	SOCIAL	0.061
RESOURCE	PERSPECTIVE	0.06
RESOURCE	TYPES	0.055
RESOURCE	STRATEGIES	0.053
RESOURCE	EXISTING	0.053
RESOURCE	CONSTRAINTS	0.053
RESOURCE	CONDITIONS	0.052
RESOURCE	FIRM	0.052
RESOURCE	LEGITIMACY	0.052

Economic is another key term frequently cited in social entrepreneurship. Again, this is a frequently cited and highly dispersed word (Table 2.1). Other words that co-occurred frequently with economic are listed in Table 2.4. Examining the word economic in the context of these articles unveiled several themes. First, economic value creation and social value creation are frequently produced simultaneously (Miller et al., 2012). As mentioned, economic co-occurred with social frequently and with strong co-occurrence as measured by the Jaccard Coefficient.

The next theme contrasts economic outcomes with social outcomes and discusses economic outcomes as by-products of, or tradeoffs with, social outcomes (Mair & Marti, 2009). The motivation of entrepreneurs emerges as part of the theme and multiple authors claim commercial entrepreneurs are motivated by economic goals whereas social entrepreneurs are motivated by social goals (Austin, Stevenson & Wei-Skillern, 2006; Meyskins et al., 2010).

An additional theme is the importance of economic outcomes in the sustainability of social enterprises. In other words, economic outcomes are a means to an end for social entrepreneurs (Mair & Marti, 2009). Based upon the high frequency and dispersion and upon the KWIC analysis of the term economic, we argue that it is an important component of a definition of social entrepreneurship. The KWIC analysis indicates that many authors consider economic outcomes, activities, or value creation to be a necessary condition of social entrepreneurship (See Table A.3 for examples.). Phrases containing the term such as economic development or economic value creation also appear frequently. The term economic embodies many of the other concepts such as profit maximization, market awareness, market failure and efficient use of resources, which appear in the body of the cases. Therefore, we believe its inclusion in defining social entrepreneurship is important.

Innovation is another word that occurs frequently and is highly dispersed. It appears 801 times and is dispersed throughout 85.9 percent of the cases (Table 2.1). Several themes emerged from our KWIC analysis of innovation* (See Table A.4 for examples.). Many cases cited definitions of innovation and discussed the process of

Table 2.4 Economic Collocations

TARGET	KEYWORD	Jaccard
ECONOMIC	DEVELOPMENT	0.171
ECONOMIC	SOCIAL	0.151
ECONOMIC	CREATION	0.12
ECONOMIC	PROFIT	0.098
ECONOMIC	CHANGE	0.094
ECONOMIC	MARKET	0.093
ECONOMIC	CREATE	0.086
ECONOMIC	POLICY	0.082
ECONOMIC	ENTERPRISE	0.08
ECONOMIC	GOVERNMENT	0.08
ECONOMIC	ROLE	0.077
ECONOMIC	OPPORTUNITIES	0.077
ECONOMIC	OPPORTUNITY	0.077
ECONOMIC	INSTITUTIONAL	0.075
ECONOMIC	FORM	0.073
ECONOMIC	POLITICAL	0.072
ECONOMIC	INNOVATION	0.072
ECONOMIC	ECONOMY	0.071
ECONOMIC	COMMUNITY	0.071
ECONOMIC	RESOURCES	0.07
ECONOMIC	GOALS	0.07
ECONOMIC	INSTITUTIONS	0.068
ECONOMIC	IMPORTANT	0.065
ECONOMIC	OBJECTIVES	0.064
ECONOMIC	SE	0.063
ECONOMIC	COMMUNITIES	0.062

innovation. In terms of social entrepreneurship, innovation is used in the context of a means or tool to solve social problems or create social value. It is also used by some (*e.g.* Schumpeter, 2000) as a required activity of entrepreneurship (and thus of social entrepreneurship). Thus, according to some, innovation is a necessary condition to be defined as an entrepreneur. Some authors also contrasted or designated social innovation as distinct from other types of innovation (*e.g.* Bridgstock et al., 2010). Our collocation analysis of innovation* shows the strongest co-occurrence with the terms change and economic (Jaccard Coefficients of .081 and .072, respectively). The co-occurrence of social with innovation was also relatively strong (Jaccard=.064). Based on these results, innovation appears to be an important term in defining social entrepreneurship. Innovation is a key component of many definitions or conceptual understandings of entrepreneurship (Gartner, 1990), so it is not surprising that it is also important in defining social entrepreneurship. Innovation is a characteristic or activity that separates social entrepreneurship from traditional provision of social services.

Another term in our analysis is ethic*. It appears 342 times and is included in 60.9 percent of the cases (Table 2.1). Collocation analysis of the term ethics showed relatively strong co-occurrence with the terms behavior (Jaccard=.056), moral (.053), questions (.053), issue (.051), and standards (.05) (Table 2.6).

Table 2.5 Innovation Collocations

TARGET	KEYWORD	Jaccard
INNOVATION	CHANGE	0.081
INNOVATION	ECONOMIC	0.072
INNOVATION	INNOVATIVE	0.069
INNOVATION	DIVERSITY	0.067
INNOVATION	SOCIAL	0.064
INNOVATION	PROFIT	0.062
INNOVATION	IMPACT	0.061
INNOVATION	CREATE	0.058
INNOVATION	ENTERPRISE	0.058
INNOVATION	MISSION	0.057
INNOVATION	OPPORTUNITY	0.057
INNOVATION	MARKET	0.057
INNOVATION	ENTERPRISES	0.057
INNOVATION	DEVELOPMENT	0.056
INNOVATION	OPPORTUNITIES	0.055
INNOVATION	DM	0.053
INNOVATION	TECHNOLOGY	0.052
INNOVATION	CREATION	0.052
INNOVATION	INNOVATIONS	0.052
INNOVATION	COMMERCIAL	0.051
INNOVATION	FORM	0.051

Table 2.6 Ethics Collocations

TARGET	KEYWORD	Jaccard
ETHICS	ETHICAL	0.195
ETHICS	CONNECTING	0.076
ETHICS	INQUIRY	0.075
ETHICS	SPECIAL	0.058
ETHICS	BEHAVIOR	0.056
ETHICS	STARR	0.056
ETHICS	INTERSECTION	0.055
ETHICS	UNEXPLORED	0.054
ETHICS	MORAL	0.053
ETHICS	QUESTIONS	0.053
ETHICS	ISSUE	0.051
ETHICS	STANDARDS	0.05

The KWIC analysis revealed that ethic* was often used in general terms, but two themes relevant to social entrepreneurship emerged. The first theme is that social entrepreneurs often face ethical dilemmas or challenges. These dilemmas include deciding tradeoffs between economic and social gains, prioritizing benefits to stakeholders, and whether to circumvent rules or even laws to address social issues more effectively. Sometimes conflicting values are the source of ethical dilemmas. While all organizations face ethical issues, some of the ethical dilemmas faced by social entrepreneurs could be considered somewhat unique. For example, most commercial organizations do not face a tradeoff between social and economic goals. Their goal is to maximize profits. Ethics and laws simply constrain the profit-maximizing activities. Because a social entrepreneur has multiple objectives, tension between sometimes-competing objectives such as financial sustainability and increasing social impact is much more likely.

The other theme gleaned from the KWIC analysis is the influence of a social entrepreneur's ethical perspective or values on their actions and the mission of their organizations (See Table A.6 for examples.). For example, VanSandt, Sud, and Marme (2009) posit that a driving force behind the rise of social entrepreneurship is an attempt to rectify a system that promotes the interests of the wealthy and powerful while exploiting others. They claim that social entrepreneurs value equity over efficiency, and this belief guides the focus of social entrepreneurship. Nga and Shamuganathan (2010) state that social entrepreneurial decision-making is influenced by the values and beliefs of individuals. Their research demonstrates that personality traits related to personal values influences the start-up intentions of social entrepreneurs. Adding an ethical or values-related dimension to the definition of social entrepreneurship adds explanatory value to understanding the influence that ethics plays on a social entrepreneur's decisions and actions.

In summary, the keyword ethic* contributes important nuances to a definition of social entrepreneurship. However, we do not use the term directly. As discussed later, we use a different term that captures these nuances.

The term nonprofit is used in in the traditional sense to describe an organization which, in contrast to for-profit ventures, focuses on providing social benefits rather than earning an operating profit. Our collocation analysis shows that nonprofit* has the strongest co-occurrence with the word profit (Table 2.7).

In the context of defining social entrepreneurship, some authors (*e.g.*, Lasprogata & Cotten, 2003; Bacq & Janssen, 2011, citing Haugh, 2005) consider nonprofit status to

Table 2.7 Nonprofit Collocations

TARGET	KEYWORD	Jaccard
NONPROFIT	PROFIT	0.163
NONPROFIT	NONPROFITS	0.142
NONPROFIT	FORM	0.1
NONPROFIT	FORMS	0.094
NONPROFIT	EO	0.086
NONPROFIT	FINANCIAL	0.082
NONPROFIT	INTRAPRENEURSHIP	0.08
NONPROFIT	MISSION	0.074
NONPROFIT	EMBEDDEDNESS	0.069
NONPROFIT	STAKEHOLDERS	0.062
NONPROFIT	COMMERCIAL	0.056
NONPROFIT	CASES	0.053
NONPROFIT	SOCIAL	0.051
NONPROFIT	REVENUE	0.05

Note: The words "FORMS" and "FORM" are treated as two different words.

be a necessary, but not a sufficient condition of social entrepreneurship. In other words, social enterprises are a sub-type of nonprofit organization. For example, a country club or a food buyers' cooperative could be legally organized as nonprofit organizations. However, they would not be considered social enterprises because they primarily exist to serve the needs of their members. Other authors (*e.g*, Desa, 2012) use the term as *one* of the possible choices of forms of organization structure for social entrepreneurs. Form and forms both frequently co-occur with non-profit. Sometimes authors (Grimes, 2010) use the term to contrast or differentiate social entrepreneurship from "traditional" nonprofit approaches to providing social goods and services. Finally, nonprofit is sometimes used to indicate a focus on a social mission or serving the underserved (Katre & Salipante, 2012). As mentioned, while some scholars contend that nonprofit status or organizational form is a necessary, but not a sufficient condition for social entrepreneurship, many other authors disagree. Therefore, we argue that the inclusion of the term itself in a definition of social entrepreneurship is not helpful. However, the term and KWIC analysis are useful in illustrating another important dimension of social entrepreneurship, which is the motivation or the primary focus of the social entrepreneur or social enterprise. Scholars who argue that nonprofit status is a necessary condition for social entrepreneurship would likely also argue that the sole focus of social entrepreneurs is a social mission. Others argue that social entrepreneurship can occur when any social goal is involved (Perdo & McLean, 2006). Another group argues that social entrepreneurs may have profit as *a* goal, but the social mission must take precedence over economic goals (Meyskins *et al*., 2010). Both of these latter two groups would associate management of the "double bottom line" as part of social entrepreneurship. While we do not include the term nonprofit itself as a defining term of social entrepreneurship, its nuances significantly influence our definition. We will discuss this further in a later section of this paper entitled *Defining Social Entrepreneurship*.

Further, for the rest of the terms that occurred most frequently (Table 2.1), we conducted a similar analysis to social and economic, innovation examining collocations and KWIC. Overall we find that words such as networks, provide*, and relationship are frequently and widely used, yet they do not appear to be useful in crafting a unique definition of social entrepreneurship. The terms community and institutional do not help in providing a unique definition of social entrepreneurship. However, they do contribute to some descriptive dimensions that we will discuss in an upcoming section called *Defining Social Entrepreneurship*.

In addition to individual words, we also examined several key phrases, as collocations, or key words that appear frequently together, which may indicate that the words form key phrases (Table 2.8). Thus, we wanted to understand whether these are boundary or defining conditions of the meaning of social entrepreneurship. Specifically, terms such as social capital, economic development, social economy, social value creation, and social innovation appear frequently. Social and capital are strongly collocated (Jaccard .071), as are economic and development (.171), innovation and social (.064), and social and economy (.036). Social and values had a lower, but still relatively strong collocation (Jaccard .029). We included the phrase social value creation in our analysis because it is considered by multiple authors (*e.g.* Choi and Majumdar, 2014;

Austin, Stevenson & Wei-Skillern, 2006; Nicholls, 2006) to be a necessary or key condition of social entrepreneurship. Further, our prior KWIC analysis also revealed varied contextual relationships; thus, we wanted to delve further into the meanings. Moreover, scholars note the importance of these key terms in social entrepreneurship. For example, Meyskens & Carsrud (2013, citing Hess, Rogovsky & Dunfee, 2002) state that social ventures are involved in forming diverse partnerships to facilitate social innovation. McCarthy (2012, citing Evers and Schulze-Boing, 1997) argues that social enterprises both use and reproduce social capital. Bacq and Janssen (2011) posit that social entrepreneurship plays a key role in community economic development. Dees (1998) states that social value creation is a key goal of social entrepreneurship. The European Union, among others, considers social enterprises to be a part of the social economy (Bacq & Janssen, 2011). We thus refined our search to these five terms and reran our frequencies and patterns with these terms. We discuss each of these phrases below, except social economy, which from our KWIC analysis does not appear to be a key phrase related to defining social entrepreneurship.

Social capital was a widely used and dispersed phrase, appearing 291 times in 45.3 percent of the cases. Our KWIC analysis of social capital showed that some of the

Table 2.8 Final Social Phrases

KEY PHRASE	FREQUENCY	% CASES
SOCIAL_CAPITAL	291	45.30%
ECONOMIC_DEVELOPMENT	229	65.60%
SOCIAL_ECONOMY	155	23.40%
SOCIAL_VALUE_CREATION	149	42.20%
SOCIAL_INNOVATION	137	45.30%

references to social capital were simply defining or explaining the concept of social capital or one or more of its sub-types (such as bonding, linking or bridging social capital). Many of the excerpts also discussed the utilization or exploitation of social capital as a means of achieving success. Other excerpts discussed creating or generating social capital. Some of the excerpts clearly identified social entrepreneurs or social enterprises as the entities that either created or utilized social capital. A few excerpts explicitly stated that commercial entrepreneurs also utilize social capital. Some excerpts stated or implied that the presence of social capital was a resource that was useful in facilitating the attainment of social or economic goals. In summary, the two main relevant themes in the KWIC are that social capital is a both an important resource for and can be a key product of social entrepreneurship (See Table A.8 for examples). However, social capital is not a distinguishing feature of social entrepreneurship since commercial enterprises, traditional nonprofits, and other groups also create and utilize social capital. Therefore, we do not believe that it is necessary to include this phrase in the defining dimensions of social entrepreneurship.

Economic development was also a frequent phrase occurring 229 times in 65.60 percent of the cases. Scholars, including several in the body of literature that we analyzed (*e.g.*, Meyskens, Carsrud & Cardozo, 2010; Tapsell & Woods, 2010; O'Connor, 2013; Dorado & Ventresca, 2013) refer to Schumpeter's works on the important relationship between entrepreneurship and economic development. The main relevant theme that emerged from the KWIC analysis is that social enterprises or social entrepreneurs do make, or have the potential to make, a significant direct or facilitating contribution to economic development (Di Domenico, Haugh & Tracey, 2010; Meyskens, Carsrud & Cardozo, 2010). A secondary theme is that many of the issues or goals associated with social entrepreneurship activities, such as health, education, and reducing inequality, are also associated with economic development (Desa & Basu, 2013; Renko, 2013). The concept of economic development is relevant and important to social entrepreneurship, but it is not unique to it. While social entrepreneurial activities contribute to economic development, so can commercial and governmental activities. Because economic development is not uniquely associated with social entrepreneurship, and because its essence is captured in our broader inclusion of the keyword economic, as has been discussed, we argue that the phrase economic development should not be included in a definition of social entrepreneurship.

Social innovation also appeared to be a relevant phrase, appearing 137 times in 45.3 percent of the cases. Several themes emerged in our KWIC analysis. One of these themes is that social innovation is a means to solve unmet social needs or social problems. Another theme is that social entrepreneurship creates, promotes, or disseminates social innovation (See Table A.9 for examples). Social innovation is also used as part of a proper noun as in the “Social Innovation School” or “”Social Innovation Fund”. We believe that social innovation is an important component in social entrepreneurship because it is a key means of creating social value that we argue is a necessary objective in social entrepreneurship. However, if “innovation” by itself is included as a definitional dimension along with social value creation, then the inclusion of social innovation may be redundant.

Social value creation occurred 149 times in 42.2 percent of the cases. Several relevant themes emerged from our KWIC analysis of the sub-phrase social value. First, social entrepreneurship involves creating social value. Social enterprises and social entrepreneurs marshal resources, form partnerships, and employ innovation to create social value (McCarthy, 2012; Zahra et al., 2009; Lumpkin et al., 2013). Second, as indicated in our discussion of the keyword economic, social value is often created simultaneously with economic value (Miller et al., 2012; Chell, Nicolopoulou & Karatas-Ozkan, 2010). Third, social value creation is a key purpose of social entrepreneurs and social enterprises. Many scholars assert that social value creation is the prime mission of social enterprises. Thus, economic value creation or commercial activities can be a means to social value creation. Therefore, in social entrepreneurship, economic value creation is considered by many to be subordinate to social value creation (Friedman & Desivilya, 2010; Perrini & Costanzo, 2010; Di Domenico, Haugh & Tracey, 2010; Wilson & Post, 2013; Acs, Boardman & McNeely, 2013). Because of the strong ties between social entrepreneurship and social value creation, and the general consensus that they are inseparable, we argue that this phrase is an important component in a definition of social entrepreneurship.

In sum, we believe that the key phrases social innovation, economic development, and social capital are important concepts related to social entrepreneurship. However, economic development and social capital are not unique to social entrepreneurship. Also, the essences of these two phrases and social innovation are captured within the other keywords or key phrases that we use in our proposed definition of social entrepreneurship. Therefore, they are not directly used in the definition formed here. The key phrase social value creation is directly used and is a key component in defining social entrepreneurship as we discuss in the next section.

Defining Social Entrepreneurship

A conceptual definition of social entrepreneurship is comprised of multiple concepts. Stemming from this analysis, there is value in conceptualizing social entrepreneurship as a cluster concept as others suggest. Choi and Majumdar (2014, citing Gaut, 2000) define a cluster concept as ". . . a conglomerate of certain concepts which we prefer to call in this case as sub-concepts, which represent the defining properties of the cluster concept" (Choi & Majumdar, 2014, p. 372). Further, they state that an object may be regarded as a cluster concept even if it does not exhibit all of the qualities in the cluster concept. Extending the cluster concept further to a multi-dimensional continuum provides additional explanatory value, because the keywords and key phrases that give meaning to social entrepreneurship are not dichotomous.

A "multi-dimensional continuum" is a concept or condition represented by multiple elements or factors each of which may exist at any point along a continuum between total absence of the factor and full or "pure" presence of that factor. Multi-dimensional continuum models have been used in a wide variety of fields such as natural sciences, health sciences, and social sciences. These models have been used in diverse applications including predicting fish behavior (Reed, 1983), modeling unemployment (Reder, 1964), and defining health (Moen, Dempster-McClain &Williams, 1992). One advantage to multi-dimensional continuum models is that researchers are allowed to include and place subjects in “every possible ‘state of being’ in a multidimensional state, property, or space” (Reed and Balchen, 1982, p. 65). This approach is particularly advantageous when research subjects cannot be defined by dichotomous or discrete characteristics or measures. We argue that social entrepreneurship is such a subject. Unlike the cluster concept, which defines a subject by the presence or absence of one or more sub-concepts, a multi-dimensional continuum approach allows researchers to define subjects by the degrees to which they exhibit the various elements of interest.

Since we are trying to define “social entrepreneurship”, it seems reasonable to attempt to categorize the relevant key words or key phrases gleaned from our analysis into “social dimensions” and entrepreneurial dimensions”. The majority of the keywords or phrases fit into these two categories; however, a third category emerged, labeled here as “operational dimensions”. This operational dimension category adds explanatory value to social entrepreneurship by elucidating important distinguishing characteristics of different aspects of social entrepreneurship that could be useful in identifying and studying subtypes of social enterprises. Thus, in the following sections, we outline the three dimensions of the multidimensional continuum defining social entrepreneurship.

Social Dimensions

When considering the contexts of the keywords and key phrases used, the social dimension of social entrepreneurship may be embodied in two phrases: social value creation and social motivation. Social value creation places an emphasis on the output or product of social entrepreneurship. Or, based on Choi and Majumdar, social value creation is a necessary, but not sufficient condition for social entrepreneurship. An enterprise such as a medical device company may create significant social value, but may be purely interested in economic profits.

Adding the dimension social motivation examines the underlying motivation of the social entrepreneur or social enterprise. This term also captures important nuances of the keywords ethics and nonprofit from the corpus linguistic analysis. Social motivation is the difference between viewing social value creation as an end in itself as opposed to being a means to economic profits. It is similar to Alter's (2007) concept of "mission orientation," but is a bit broader in that it embodies organization or individual values. It should give an indication of how a social entrepreneur or social enterprise will respond to dilemmas created by tension between economic and social value creation.

Social motivation could be measured along a continuum with pure profit motivation at one extreme and pure social motivation at the other extreme. This statement is not meant to imply that for-profit organizations are inherently unethical or are against positive social change. The difference is that with pure profit motivation, ethics and laws only act as constraints on behaviors in the pursuit of profits. With a purely social motivation, social or values-based motives are the driving force behind the behaviors of the entrepreneur or organization. The degree of social motivation will determine whether the entrepreneurial dimensions of social entrepreneurship discussed in the next section are more of a means to achieve a social mission, or an end to attain economic goals.

Before the term “social entrepreneurship” appeared in the literature, Camenisch (1981) proposed the concept that generation of profit alone is insufficient to claim that a person or organization is engaged in a socially beneficial business. The person or organization must also generate useful goods and services. Nevertheless, the idea of profit maximization without regard to the social contributions of the output to society remains a prevalent mindset in the business world. One possible measure of social motivation could be the percentage of revenues reinvested into the social mission of the organization.

Social value creation is much more difficult to place on a pure continuum because social value creation and economic value creation often occur simultaneously. Outputs could theoretically be “purely economic” or “purely social”, but in most cases, they will be a blend of social and economic goals. Some outputs such as a taxpayer-funded hospice care could result in negative economic gains and high social gains. Other outputs such as illicit drug trade could result in high economic gains and negative social gains.

A measure that could be used to place social value creation on a continuum is the ratio of social value creation to economic value creation. This approach would require monetizing social value creation. Emerson (2003), in his blended value approach, advocates that we should stop thinking of economic value creation and social value creation as separate processes, but rather focus on how to maximize total value. However, he along with others also discuss frameworks for measuring social impact (*e.g.,* Bonini & Emerson, 2005). Measuring social value creation obviously involves some subjectivity, because as discussed, the component “social” can be considered a contested concept.

Another approach could be based on Sen's (1999) capabilities approach and create a measure of the value of creating a given capability for an individual.

A further challenge in measuring social value creation surrounds the ambiguity of defining the term social. In our analysis, we found that many times, social is embedded into the definition of social entrepreneurship making the definition self-referential. The closest most authors (Certo & Miller, 2008; Haugh, 2006; Korosec & Berman, 2006; Perrini & Vurro, 2006) come to defining social is by listing examples of activities or goals that they perceived as social. Thus, a meaningful measure of social value creation will require further discussion to reach some degree of consensus on what we actually mean by social. If public policies are crafted to give preferential treatment to organizations that create social value, policymakers will need to define what is meant by "social value" from the standpoint of those whom they represent.

Entrepreneurial Dimensions

When considering the contexts of the keywords and key phrases used, the entrepreneurial dimension of social entrepreneurship can be embodied in the concepts of innovation and economic orientation. Innovation implies newness and creativity involved in the process of value creation. Innovation could be measured by the number of new approaches, services, or processes involved in an entrepreneurial venture. The literature in the field of management contains a considerable volume of discussions on the subject of measuring innovation. Adams, Bessant, and Phelps (2006) undertook a study of the literature related to measuring innovation and found that there was no consensus method of measuring innovation. A broad array of measures are used to measure innovation, such as the number of patents, the percentage of projects done in cooperation with third parties, or R&D expenditures per employee. They also found that many of the proposed measures of innovation were biased toward technological innovation rather than service provision. Adams, Bessant, and Phelps used their analysis of the literature to propose a seven-dimensional framework for conceptualizing innovation management. However, more research is needed to operationalize their conceptualization. In particular, the primary measures proposed by Adams, Bessant, and Phelps are inputs, as opposed to outputs of the entrepreneurial process. Further, they propose viewing their framework as the basis for a balanced scorecard (Kaplan and Norton, 1992). The extant literature on innovation management provides a basis for further research; however, social entrepreneurship researchers may need to adapt findings in general management to the unique aspects of social entrepreneurship.

Economic orientation implies a focus on economic-related concepts such as efficiency, market awareness, and economic profit maximization. Economic orientation captures the concept of efficient use of resources and economic value creation. It also implies an understanding of the realities of markets and the limitations of markets. It may require multiple measures to accurately assess market orientation. Perhaps the need for multiple measures means that the concept should be broken down further into sub-concepts. However, one measure could be the degree to which the organization is self-funded by its operations.

Two concepts that are common in the entrepreneurship literature are not pervasive in the body of literature that we analyzed. Creation of new organizations or ventures is frequently cited as an attribute of entrepreneurship (Gartner, 1989, 1990), but receives little direct mention in the literature from our analysis. Perhaps the entrepreneurial activity of creating organizations has become a given assumption and therefore does not require mentioning. Another possible explanation is that addressing social issues, not creating organizations, is the primary objective to social entrepreneurship.

Opportunity recognition or exploitation is another frequently-cited attribute of entrepreneurship (Stevenson & Gumpert, 1985; Gartner 1990) that is only infrequently mentioned in the literature from our corpus linguistic analysis. However, opportunity recognition or exploitation is listed in a significant number of definitions of social entrepreneurship in the literature (for example, see Mair and Marti, 2006; Zahra et al, 2008; Mort, Weerawardena & Carnegie, 2003; Dees, 1998; Tracey and Jarvis, 2007). It may be that opportunity in the context of social entrepreneurship is a more recent topic of discussion. We ran a topic search of two major management journals with "social entrepreneur*" and "opportunity" as keywords. The search was split into the years 1965 to 2011 and 2012 to 2015. The search for all of these years prior to 2012 yielded only 5 results, while the search from 2012-2015 yielded 12 results. This result indicates that opportunity is discussed more frequently in very recent publications, and thus may not have been captured by our corpus linguistic analysis, which covered a much longer time frame. Regardless, the concept of opportunity recognition or exploitation is embodied in the dimension of economic orientation.

Operational Dimensions

The keywords placed in the category of operational dimensions do not describe necessary or sufficient conditions for the existence of social entrepreneurship. However, they add descriptive value to a definition and provide additional insight into the nature of social entrepreneurship. Thus, the terms institutional and community are embedded in the operational dimensions. The term institutional describes the scope of social entrepreneurship activity, or the opportunity space (sometimes called institutional voids). Whereas the term community describes the scale of social entrepreneurship activity. This term may also have relevance to the social dimension since “community” has a social connotation.

Based on the meanings in context embedded in the terms institutional and community, we propose three operational dimensions for social entrepreneurship as follows: mission scope, opportunity space and mission scale. Mission scope describes the scope of the social mission. It can range from immediate symptom relief of social problems to institutional change. Mission scope in between these two poles includes ongoing relief or mitigation of social problems, individual transformation (human capital creation), and community development (which includes social capital creation). Opportunity space describes the economic area where the social entrepreneur or enterprise focuses on providing its service. This space can range from areas where the service is not provided by markets or governments to highly competitive markets. Mission scale describes the scale of the social mission. Mission scale can range from local to global, and also can describe whether a solution is unique or replicable, and strictly local or scalable.

Applying out three dimensions to Choi and Majumdar's (2014) proposed cluster concept, we argue that any definition of social entrepreneurship should include "social value creation" and "social innovation". However, as discussed, "social innovation" may be redundant if "innovation" is included as a separate aspect of the dimension. The use of "SE Organization" in the cluster seems to assert that most social entrepreneurship takes place within the structure of an organization as opposed to individual or more loosely structured activities (Choi and Majumdar, 2014). Choi and Majumdar also emphasize the variety of organizational and legal forms used in social entrepreneurship. However, the reasons for choosing a particular organizational form can be captured in the dimensions proposed here. To say that social entrepreneurship usually takes place within an organizational structure does little to clarify what social entrepreneurship actually is. The cluster concept does not include the creation of organizations as part of this sub-concept. The inclusion of "social entrepreneur" seems to offer even less insight into defining social entrepreneurship. It is tautological to include this term in a definition of social entrepreneurship. Social entrepreneurship does not happen by itself or in a vacuum, so including the agent who undertakes the action as part of the definition does not add explanatory value.

Based on Choi and Majumdar's description of "Market Orientation" as a sub-concept that includes efficient use of resources and commercial activities, the term is a useful component in the cluster. However, the term does not appear in the KWIC analysis although several authors mention that social entrepreneurship exists in spaces where markets fail or do not exist (Nicholls, 2008; Austin, Stevenson, Wei-Skillern, 2006) "Economic orientation" captures the ideas within Choi and Majumdar's "market orientation" sub-concept and encompasses other important concepts, such as operating outside of traditional markets.

While it is a useful extension of previous attempts to define social entrepreneurship, a cluster concept explanation of social entrepreneurship does not address our assertion that social entrepreneurship exists on a continuum. Using Choi and Majumdar's cluster concept, it would be difficult to exclude from social entrepreneurship many organizations that are normally not considered as such. For example, most large for-profit corporations make monetary or other resource contributions to social causes. Although Choi and Majumdar (2014) add the insight that social value creation is a necessary condition of social entrepreneurship, they do not clarify the sufficient conditions for social entrepreneurship. Their "contested concept" proposal explains why a consensus definition of social entrepreneurship is difficult, if not impossible to create. However, extending the cluster concept to a definition based upon a multi-dimensional continuum will further the development of social entrepreneurship as a scholarly field. Creation or refinement of objective measures of the dimensions we proposed could shift the discussion of social entrepreneurship from "Is this social entrepreneurship?" to "How social is this entrepreneurship?" or "How entrepreneurial is this social organization?".

A Framework for Operationalizing the Definition of Social Entrepreneurship

As discussed earlier, representing social entrepreneurship with a multi-dimensional continuum allows for placement of subjects, particularly organizations, at their appropriate points in multi-dimensional space rather than forcing them into one of two (or perhaps several) mutually exclusive classifications. Part of the shortcoming of previous attempts to define social entrepreneurship is that the elements that comprise social entrepreneurship are not dichotomous or discrete, but rather, continuous. As such, each element could be represented by a single line where the left endpoint represent complete absence of the element and the right endpoint represents complete or unmixed presence of the element. For example, the element social motivation could be represented by Figure 2.1a. The operational dimensions of social entrepreneurship are slightly different in that the continuum does not represent complete presence or absence of the element, but rather the scale or scope of the element. For example, the element mission scale is still represented by a one-dimensional continuum as shown in Figure 2.1b; however, the left endpoint of the continuum represents a very small or an extremely localized scale and the right endpoint represents a very large or completely global scale.

Figure 2.1a: One-dimensional representation of social motivation

Figure 2.1b: One-dimensional representation of mission scale

Once dimensional measures have been operationalized for our proposed multi-dimensional framework, subject selection can be done by setting thresholds for the various elements and then selecting subjects that meet these thresholds. The key elements in our definitional framework of social entrepreneurship cannot be measured directly, but rather, must be measured with suitable proxy variables. We have proposed specific proxy variables to measure some of the elements. For example, we have suggested that the dimension of social motivation could be measured by the percentage of an organization's revenues that are reinvested into its social mission. Also, we have proposed that one measure for the dimension of economic orientation could be the degree to which the organization is self-funded by its operations. However, defining and validating proxy measures for all of the dimensions that we have proposed to define social entrepreneurship goes beyond the intent of this article, and more research is needed to determine the most suitable measures.

Arguably, there are several methods for empirically representing social entrepreneurship. For example, a proxy measure for a particular organization could be normalized and listed in tabular format. Table 2.9 represents a tabular measurement of the degrees of the various elements of social entrepreneurship for two hypothetical organizations. The exact method of standardizing the measures is determined after the measures are developed. However, an idealized standardization measure would be defined on a scale of zero to one with zero representing the left endpoint of a continuum. It may be helpful to report absolute measures, but standardized measures are needed to meaningfully compare elements on the same scale.

Table 2.9 Tabular Representation of Social Entrepreneurship for Two Hypothetical Firms

Elements of Social Entrepreneurship	**Firm 1**	**Firm 2**
Social Value Creation	0.9	0.8
Social Motivation	0.8	1.0
Innovation	0.8	0.5
Economic Orientation	0.7	0.6
Mission Scope	0.5	0.6
Opportunity Space	0.8	0.4
Mission Scale	1.0	0.2

A radar chart is a way to graphically represent the degree of social entrepreneurship of an organization. If the measures are normalized, this chart allows for a visual comparison of two or more organizations. Figures 2.2 through 2.5 are graphical representations of social entrepreneurship. Figure 2.5 is a graphical representation of Table 2.9. This figure allows for a quick visual comparison of the degree of each of the elements of social entrepreneurship for the two hypothetical firms. Figure 2.2 shows all dimensions of social entrepreneurship together. Figures 2.3 and 2.4 show the operational dimensions of social entrepreneurship separate from the essential dimensions (social and entrepreneurial) dimensions of social entrepreneurship.

Figure 2.2- Graphical Representation of All Elements of Social Entrepreneurship

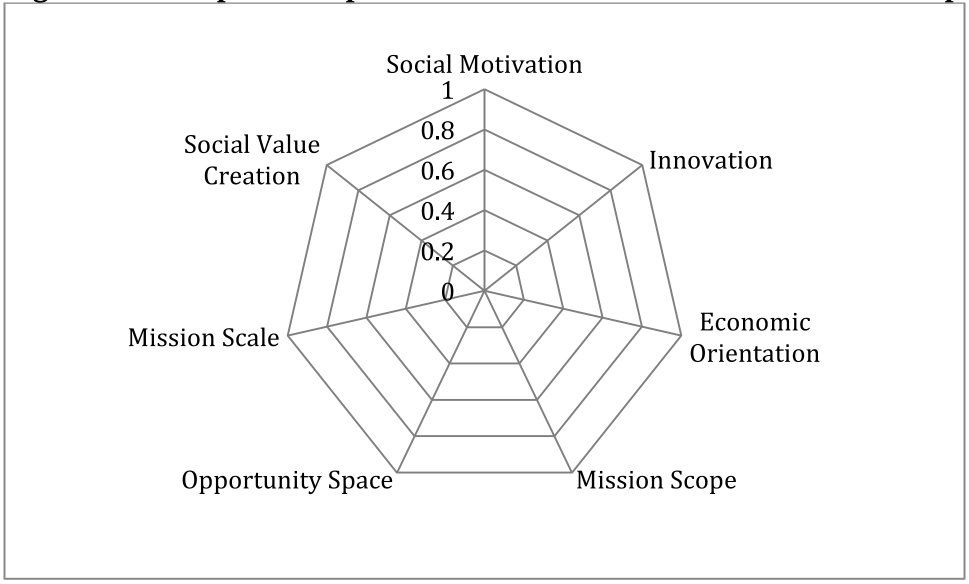


Figure 2.3 – The Essential Dimensions of Social Entrepreneurship

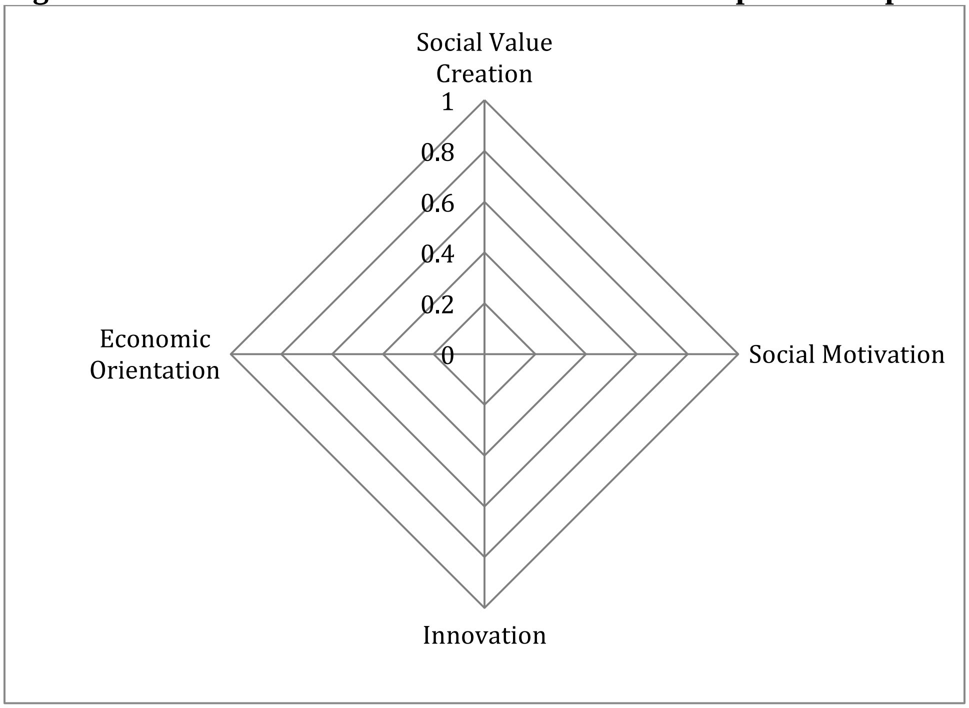


Figure 2.4 - The Operational Dimensions of Social Entrepreneurship

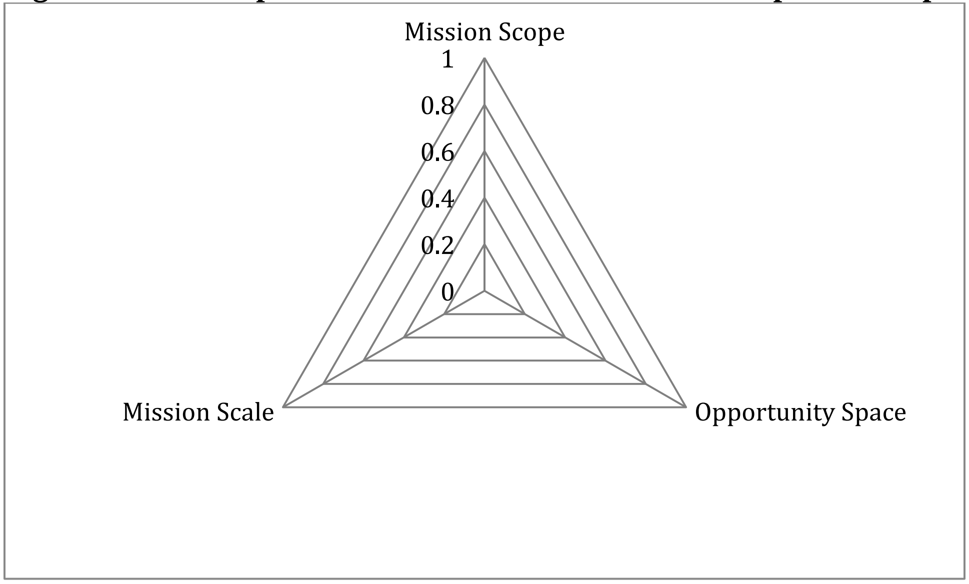
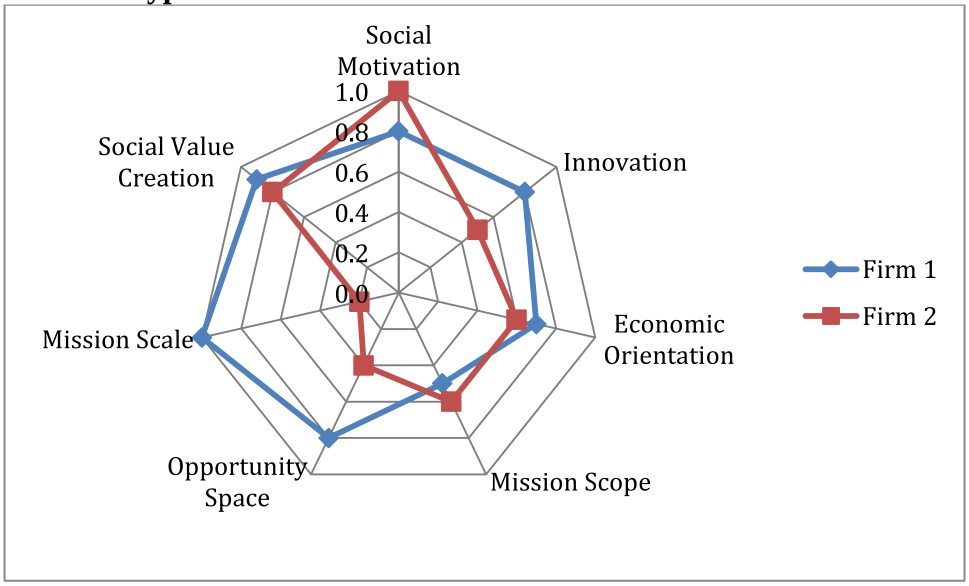


Figure 2.5- Graphical Representation of All Elements of Social Entrepreneurship for Two Hypothetical Firms



Discussion and Conclusion

This analysis supports scholars' assertions that social entrepreneurship is a highly contested, ambiguous concept yet begins to sharpen the bounds of social entrepreneurship. Although, we find that there are elements of social entrepreneurship that reinforce the proposition that social entrepreneurship is cluster concept, we extend this concept, demonstrating that is a multidimensional continuum. Indeed, via corpus linguistics, we empirically demonstrated that to define and incorporate the main elements and assumptions of social entrepreneurship, any definitions should be on a multidimensional continuum. Our findings indicate that defining social entrepreneurship requires two essential dimensions with two elements in each dimension. The social dimension contains the elements of social value creation and social motivation. The entrepreneurial dimension contains the elements of innovation and economic orientation. Also, we propose a third dimension, (the operational dimension) which provides additional explanatory value and insights to social entrepreneurship. The operational dimension contains the elements of mission scope, opportunity space, and mission scale.

The use of a multidimensional continuum has the potential to provide more objective measures of social entrepreneurship. Rather than arguing about whether an entrepreneur is a social entrepreneur, or whether an organization is a social enterprise, the discussion can focus on where the entrepreneur or organization should be placed in the multi-dimensional space of social entrepreneurship. Rather than forcing a subject into a single mutually exclusive classification, it can be placed wherever it fits in the multi-dimensional space of social entrepreneurship. Another important finding is that many authors consider economic value creation and social value creation to be strongly correlated. This finding implies that social entrepreneurship is, or at least has the potential to be, an important force in economic and community development. Authors also believe that social entrepreneurship facilitates economic development through the creation of social and human capital, as well as through direct economic activities.

Further, it is imperative to have a consistent definition of social entrepreneurship so that we can assess where organizations land on a continuum, and future research might examine specific ways to operationalize social entrepreneurship based on the categories provided. For instance, an operational measure of social motivation could be the percentage of revenues in excess of operating expenses that are re-invested into the social mission of an organization. We have proposed that operational measures be normalized and shown on a table or radar chart to allow meaningful comparison of the different elements and cross-comparisons of different research subjects. Defining meaningful operational measures for each element of social entrepreneurship will require further research.

Another issue that requires future attention is the independence of the different elements of social entrepreneurship. Our operational representation of social entrepreneurship implies that the elements are independent variables in a model of social entrepreneurship. If the elements are fully independent, the presence or degree of one element would not be useful in predicting the presence or degree of a different element. While the elements could be independent, we posit that in many cases they are not. For example, in some cases, social value creation could be a side effect of activities that were devoid of any social motivation. However, in many cases, social value creation would be a direct result of social motivation. Further research could indicate the degree of independence between the various elements of social entrepreneurship. Also, a study of the covariance of the elements could yield additional insights into social entrepreneurship.

As with any study, there are inherent limitations, and this analysis leaves at least two additional issues unresolved. We argue that social entrepreneurship is not a dichotomous state of being, but rather a location within multidimensional space. However, if, as some authors (*e.g.* Hausner, 2009) advocate, governmental policy is created to support social entrepreneurship, policy makers will need further guidance on defining social entrepreneurship. Policy makers will need to be able to include or exclude an organization from the benefits (or costs) of a policy related to social entrepreneurship and clear set of criteria upon which to base the inclusion or exclusion is necessary. In addition, our analysis does not resolve the issue of contested concepts that are included in the space that defines social entrepreneurship. The ambiguous definition of “social” is particularly problematic to both researchers and policy makers. For example, without a clearer definition of social, the determination of where an organization falls on the continuum of social value creation will not only be difficult, but may also be contested. For instance, the Armed Citizen Project has been engaged in providing shotguns and firearms training to low-income persons for self-defense (Otis & Boyle, 2013). While the founder of this nonprofit organization likely believes that he is creating social value, it is highly unlikely that anti-gun advocates would agree. Another potentially useful extension to our research is to create a typology of social enterprises by sub-dividing the multi-dimensional space of the social entrepreneurship continuum into distinct regions.

Finally, our study focused on management literature. As discussed in the introduction, social entrepreneurship cuts across many disciplines, and definitions of social entrepreneurship are found in literature from disciplines other than management. Further research could study whether the conceptualization of social entrepreneurship in other disciplines is similar to that found in the management literature. In addition, analysis of literature on social entrepreneurship from other disciplines may reveal important elements of social entrepreneurship that we did not find in our corpus linguistic analysis of the management literature.

CHAPTER THREE

THE ECONOMIC IMPACT OF SOCIAL ENTERPRISES

Introduction

Social enterprises are often praised for their ability to have a significant impact on economic and community development. The literature in the field is replete with success stories of social enterprises. For example, Wallace (1999) discusses the success of the Delancey Street Foundation in not only changing the lives of its clients, many of whom are ex-convicts and former drug addicts, but in having a substantial impact on revitalizing the local economy. However, while the literature on social entrepreneurship contains much anecdotal and qualitative discussion of the impact of the activities of social enterprises, there are few attempts to quantitatively assess the primary and secondary economic impacts of these activities. Also, structured assessments of non-economic impacts are rare.

This study attempts to make a quantitative assessment of the economic impacts of an activity of one social enterprise. It assesses the impact of the direct activities of the organization and the indirect impacts that results from the direct activities. It also discusses some of the non-economic impacts of this organization. Part of the goal of the study is to develop a framework that can be used for future assessments.

Another common claim in the literature is that social enterprises tend to have a greater impact on underserved and marginalized populations (*e.g.*, Alvord, Brown & Letts, 2004). This study uses a Social Accounting Matrix (SAM) (Holland & Wyeth, 1993; Hughes & Shields, 2007) to study the distributional effects of the economic impact of the economic impact of a program conducted by such an enterprise as a case study.

We begin the discussion with an overview of the program and organization involved in the case study. As we will briefly discuss in the literature review, the definition of social enterprise and social entrepreneurship is contested (Choi and Majumdar, 2014). To some scholars, the program and organization which is the subject of this case study may not fit their definition of a social enterprise. However, scholars with broader conceptual definitions would definitely consider the organization in question to be a social enterprise (*e.g.* Bailis et al., 2009; Mair & Marti, 2006). Since the purpose of this article to quantitatively assess the impact of the program and provide a framework for others to do likewise, we focus on this purpose rather than debate the definition of social enterprise.

The subject of this study is the VITA (Volunteer Income Tax Assistance) program implemented by The Cooperative Ministry (TCM) in the Columbia, South Carolina Metropolitan Statistical Area. VITA is a program sponsored by the Internal Revenue Service and is implemented through collaboration with local partners that include social enterprises, colleges and universities, and financial institutions. The primary purpose of the program is to assist low income individuals with tax preparation. For the time period of our analysis, people with an adjusted gross income of $51,000 or less were eligible to use the service. As the name implies, VITA is staffed primarily by volunteers. However, some expenses are incurred in running the program. These expenses may be funded partially by the IRS and partially by other partners (Pearson, 2013).

The VITA program in the Columbia, South Carolina area is administered by The Cooperative Ministry. When the study began, the VITA program was part of TCM's "Tax Preparation Program", but is now part of its "Financing Your Future" program.

The Cooperative Ministry is a nonprofit social organization that was originally founded by five faith-based congregations in downtown Columbia in 1982, but has since grown to "encompass congregations of all faiths, over 120 partnering agencies, and countless civic and social organizations, foundations, businesses and individuals" (The Cooperative Ministry, 2011). The mission of the organization is to reduce poverty by: 1. Providing crisis assistance, and 2. Promoting financial sustainability. The VITA program falls under the second category.

TCM has been involved in the VITA program since 2008. At the time the study data was collected, the program was staffed by one full-time director, two paid seasonal staff who work full-time during tax season, and numerous volunteers. The two paid seasonal staff provide quality control and ensure customer service while the volunteers do the bulk of the tasks in filing the individual tax returns. The IRS web site provides tax training. Volunteers must be certified by the training program with an annual refresher training required for returning volunteers. The certification has various levels, and some special categories of returns must be done by a person who has passed certification for that specific type of return.

The budget is primarily used for the salary and wages of the paid staff and for advertising the program. Advertising is done through a combination of free and paid advertising of various types including radio, billboards, print media, and television. The goal of advertising is to reach more people who are eligible for the service. One of the primary reasons for the program is to assist lower income families by providing a qualified alternative to costly commercial services or those services who engage in predatory practices such as extremely high interest rates on "instant refund" loans (Pearson, 2013). Analysis of the Census Bureau statistics on income levels indicate that only a small percentage of the eligible individuals in the area are using the service (U.S. Census Bureau, 2013).

The tax preparation service is also used to introduce clients to TCM's financial education classes which are part of the broader Financing Your Future program, and form the foundation of TCM's financial sustainability mission. Classes include topics such as budgeting, achieving home ownership, financing education, credit repair, and starting a small business. Participation in these courses is voluntary, but some of the tax service clients become participants in at least some of these courses (Pearson, 2013).

During the first year of the program in Columbia, 2,045 federal tax returns were filed. The filings increased to 3,105 federal returns filed for the 2012 tax year. Tax refund dollars to clients totaled $2,586,037. The summary statistics section contains a detailed breakdown of the statistics for the VITA program (Tables 3.2a – 3.2n).

Review of the Literature

Overview of Social Enterprises

The term "social enterprise" is used in different contexts in the literature. The contexts could be broadly lumped into two categories. The first category implies a broad definition of a social enterprise as any organization that provides some sort of social service that helps people or communities (*e.g.*, U.K. Government, 2015). The second category is narrower and uses the term in the same context as social entrepreneur or social entrepreneurship. In this context, a social enterprise could be defined as an organization that is started or led by a social entrepreneur(s). Since this is the context of interest in our study, we focus our literature review on this context.

One challenge in the study of social entrepreneurship is definition the concept itself. It is abundantly clear in the literature that no consensus exists regarding the definition of social entrepreneurship (*e.g.*, Bacq and Janssen, 2011). Thus, by extension, the definitions of social enterprise and social entrepreneur are also contested.

Choi and Majumdar (2014) discuss social entrepreneurship in the context of Gallie's framework of contested concepts. A "contested concept" is one in which there is no agreement on what constitutes the concept. Gallie (1956) proposes a framework using seven key criteria to help identify contested concepts. Choi and Majumdar (2014) conclude that a consensus definition of social entrepreneurship is unlikely anytime soon because it contains all of the elements of a contested concept. A corpus linguistic analysis of the definitions of social entrepreneurship indicates that some the strongest elements of the definitions of social entrepreneurship are the entrepreneurial elements of innovation, and resource acquisition and utilization (as discussed in Chapter 2). A strong element of a "social" mission also exists. Many other elements of social entrepreneurship are contained in the various definitions. Some definitions contain elements of organizational structure (e.g., Weerwardena and Mort, 2006) while others contain an element of target clientele or operational strategy (e.g., Haugh and Kitson, 2007, Skoll Foundation, 2013). Dacin, Dacin, and Matear (2010) explored the definitions social entrepreneurship, including the social entrepreneur, used in the literature and extracted a total 37 different definitions. They categorize the definitions of social entrepreneurship into the following four categories based upon the focus of the definitions: 1. “the characteristics of individual social entrepreneurs”, 2. “their operating sector”, 3. “the processes and resources used by social entrepreneurs”, and 4. “the primary mission and outcomes associated with the social entrepreneur” (Dacin, Dacin, & Matear , 2010, p. 38).

While the definitions of social entrepreneurship could be placed into a multi-dimensional continuum (Chapter 2), some scholars divide them into a broadly inclusive camp, and a narrowly-defined camp. An example of a definition from the inclusive camp states that social entrepreneurship is “. . . a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs.” (Mair and Marti, 2006: p. 37). An example of a narrow definition states “. . . social entrepreneurship means nonprofit organizations that apply entrepreneurial strategies to sustain themselves financially while having a greater impact on their social mission.” (Lasprogata and Cotten, 2003, p. 69). By this latter definition, social entrepreneurship cannot exist outside the realm of nonprofit organizations. Many authors find such narrow definitions to be extremely restrictive and stifling to the development of social entrepreneurship as a field of study (*e.g.*, Cho, 2006). In the end, most researchers either cite another author’s definition or create a definition that suits their research purpose. This point is illustrated by the many articles that contain some variant of the phrase “We define social entrepreneurship as . . .” (*e.g.*, Murphy and Coombes, 2009).

The research subject of our case study would fit into a broader definition of social enterprise. However, since the focus of this study is mainly on the quantitative impact of one program of a social enterprise, the broadness or narrowness of the definition is less important than the fact that the research subject has a definite social mission. We believe that the approach and methodology used would be valid regardless of whether the social enterprise studied falls within a broad or narrow definition.

Social Enterprise and Economic Development

Some scholars assert that social entrepreneurship can play a key role in economic and community development. Leadbeater (1997) and others state that social entrepreneurs enhance economic development by creating social capital. Leadbeater describes social capital as “the network of relationships that underpin economic partnerships and alliances.” Further, he states, “These networks depend on a culture of cooperation, fostered by shared values and trust.” (Leadbeater, 1997, p. 24). Lack of social capital has been cited as a key barrier to rural development (Holladay, 1992). Social capital theorists posit that this form of capital is necessary for significant sustainable development. A study by the University of Nebraska’s Heartland Center for Leadership Development (Wall & Luther, 1987) lists characteristics or “clues to survival” for rural communities in coping with fundamental economic and social restructuring (Table 3.1). Most of these items are strongly related to social or human capital.

Table 3.1 Clues to Survival (Wall & Luther, 1987, p.4)

1	*Evidence of community pride*
2	Emphasis on quality in business and community life
3	*Willingness to invest in the future*
4	*Participatory approach to community decision making*
5	*Cooperative community spirit*
6	Realistic appraisal of future opportunities
7	Awareness of competitive positioning
8	Knowledge of the physical environment
9	*Active economic development program*
10	*Deliberate transition of power to a younger generation of leaders*
11	*Acceptance of women in leadership roles*
12	*Strong belief in and support for education*
13	*Problem-solving approach to providing healthcare*
14	*Strong multi-generational family orientation*
15	*Strong presence of traditional institutions that are integral to community life*
16	Attention to sound and well-maintained infrastructure
17	Careful use of fiscal resources
18	Sophisticated use of information resources
19	*Willingness to seek help from the outside*
20	*Conviction that in the long run, you have to do it yourself*

(Note: Italics added to those items directly related to human or social capital)

Social capital is often divided into three components, (1) bonding social capital, (2) bridging social capital, and (3) linking social capital (*e.g.*, Sabatini, 2008). Bonding social capital includes elements such as cohesiveness, shared objectives and trust within a closed group with a community. Bridging social capital exists where there are overlapping networks within a community. In other words, a member of a group who also belongs to another group provides a “bridge” between the groups which allows some sharing of opportunities, ideas, and resources between somewhat heterogeneous groups. Linking social capital refers to social connects with those who have authority or access to resources not available to the group or community (Narayan-Parker, 1999).

While all three forms of social capital may play a positive role in a strong community, bonding capital are said to help enable people within a group to “get by”, while the other types of social capital help people “get ahead”. Because it tends to be inward-looking, bonding capital can have a negative influence on community development if the other forms of social capital are absent (Sabatini, 2008). Bridging and linking social capital are thought to play an especially important role in economic and community development because they can provide access to ideas, capital, expertise, or other resources needed to move a community toward a higher level of development (Sabatini, 2008)

Role of Social Entrepreneurship in Developing Social Capital

Social enterprises can play a role in developing social capital in several ways. Leadbeater (1997) describes a “virtuous cycle of social capital” and posits that social entrepreneurs play a key role in creating new social capital. In this cycle, social entrepreneurs begin with an “endowment” of social capital usually in the form of existing relationship or contacts with others who have shared values and interests. The social entrepreneur utilizes the initial endowment of social capital to get others involved in social-oriented project by “building a wider web of trust and cooperation around the project" (Leadbeater, p. 67). This effort enables the social entrepreneur to gain access to physical, financial, and human capital which moves the project forward. As the project progresses, organizational capital (*i.e.* more formalized management structure, systems, and relationships) is developed to deal with the evolving complexity of the project. As the project develops into an enterprise, it begins to create assets of value to the community. These assets can take several forms, but Leadbeater posits that the most value dividend is often the creation of more social capital, "in the form of stronger bonds of trust and cooperation, within the community and with outside partners and funders" (Leadbeater, 1997, p. 70). This additional social capital serves as a springboard for a new cycle of further investment and development. According to Leadbeater, the main task of the social entrepreneur is to set this cycle in motion. Ma (2002), in a study of rural entrepreneurship in China, demonstrates that social capital mobilization both improves social outcomes and yields considerable returns to income.

Leadbeater discusses several cases where social entrepreneurs leveraged their initial endowment of social capital to start the cycle and create more physical, financial, human, and social capital. In one case, Andrew Mawson, a priest newly assigned to a dilapidated church in the most deprived local authority in the United Kingdom, leveraged his small congregation's meager resources to transform the church into a thriving community center. The Bromley-by-Bow Centre has developed programs which have created jobs, including business spin-offs, a community health center, a cultural center, and a locally-managed development trust. In addition to the commercial successes, the center has helped many people develop talents and escape from poverty and hopelessness. Social capital is a critical component of the center's success. The board and users of the center have leveraged their social capital to attract more investment and opportunities from outside the community. Connectedness is a key focus of the center. Its social entrepreneurs are described as "relationship brokers" (Leadbeater, 1997, p. 33).

In another case study, Wallace (1999) describes how the Delancey Street Foundation developed social capital by providing a bridge for marginalized individuals, such as ex-convicts, recovering drug addicts, and former prostitutes, to become integrated into the mainstream economy. This social enterprise provides a residential center where the residents are trained in marketable job skills and also receive help with interpersonal and social skills. The Delancey Street Foundation center houses a business incubator and several operating businesses which not only provide opportunities for on-the-job training and experience, but also revenue to fund the Foundation. This social enterprise has been instrumental in helping thousands of people transform from criminals, prostitutes, and addicts to mainstream members of society. The direct economic impact of the Delancey Street Foundation can be measured by the millions of dollars its enterprises generate. However, the indirect impact of lives transformed and social capital generated is likely the greater contribution.

Social capital is not only a factor in economic development, but appears to be an important factor in the well-being of individuals in society. Research by Helliwell and Putnam (2004) finds a strong correlation between subjective well-being and a host of proxy measures for social capital. These measures include marriage and family, ties to friends and neighbors, workplace ties, civic engagement, and trustworthiness and trust (Helliwell & Putnam, 2004, p. 1339, 1444).

Social capital is a complex phenomenon and cannot be increased by government policy alone, but among other things, policy could help increase social capital by providing support to facilitate communication between groups within and outside of communities. Korosec and Berman (2006) found that some municipal governments provided support to the efforts of social entrepreneurs who were developing new programs. Support included providing additional legitimacy to social entrepreneurs' efforts by raising awareness of their causes, assistance with resource acquisition, and coordinating efforts of social entrepreneurs with other parties who were involved in program implementation. Some of the support given is clearly related to increasing social capital.

Other roles of Social Entrepreneurship in economic development

In addition to social capital creation, social enterprises can contribute directly to economic development by undertaking new activities which produce economic output. The aforementioned Delancey Street Foundation has directly created twelve successful commercial enterprises. These enterprises are used to train residents in marketable job skills and social skills (Delancey Street Foundation, 2007). Besides the ventures created directly by the Delancey Street Foundation, graduates of the program are responsible for the creation of many more commercial enterprises. In addition to creating human and social capital, they also directly contribute to the economic activity of the communities where the ventures operate. The profits from the ventures are fed back into the Foundation's programs which operate without taxpayer funding. Besides the direct economic impacts, social enterprises create indirect economic impacts through the multiplier effect (*i.e.*, respending on locally produced goods and services). Since many social enterprises tend to focus their operations in local areas, the local multiplier effects of their economic activities may be stronger because there would tend to be fewer leakages than those experienced with organizations with ownership outside of the communities. This concept will be discussed in further detail in the Economic Impact Analysis section.

A corpus linguistic analysis of 64 articles on social entrepreneurship from four major management journals found that economic development is strongly associated with social entrepreneurship (Chapter 2). Phrases containing terms such as economic development or economic value creation also appear frequently in the body of social entrepreneurship literature. The analysis indicates that many authors believe that economic value creation takes place simultaneously with social value creation. The analysis also indicates that many authors consider economic outcomes, activities, or value creation to be a necessary condition of social entrepreneurship. Emerson (2003) in his blended value approach advocates that we should stop thinking of economic value creation and social value creation as separate processes, but rather, focus on how to maximize total value. However, he along with co-authors also discuss frameworks for measuring social impact (*e.g.,* Bonini & Emerson, 2005).

The Payday Lending Industry

The payday lending industry is a subset of the consumer finance industry. Recent estimates of the annual size of the payday lending industry the United States range from about $7.4 billion (Bourke, Horowitz & Roche, 2012) to $50 billion (Driehuas, 2008). The wide range of estimates is influenced by the fact that payday lenders often offer other related services, so some subjectivity is involved in how the revenue in categorized. The industry is characterized by small loans of a few hundred dollars at extremely high interest rates, often equivalent to over 300 percent annually. Twelve million adults in the U.S. use payday loans annually (Bourke, Horowitz & Roche, 2012). The payday lending industry promotes their product as a quick and convenient way to help those with a short-term temporary cash flow problem (CSFA, 2016). Some evidence indicates that, if used for short-term mitigation of an unexpected disaster, quick access to credit can be beneficial even at very high interest rates (Morse, 2011). However, the industry's profitability is based on repeat borrowers. The "lump sum" repayment model makes it difficult for borrowers to repay, and thus, requires loan renewal. During a year, an average borrower takes out eight loans of $375 each and spends $520 on interest (Bourke, Horowitz & Roche, 2012).

Typically, a borrower writes a post-dated check for the loan amount and the payday lender agrees not to deposit the check until the date of the borrower's next payday. (Those without employment or bank accounts are usually ineligible.) If the borrower is unable to repay the loan, the lender usually offers a rollover for a new fee plus interest, or deposits the check and leaves the borrower to deal with the fees of a bounced check (Huckstep, 2007). Thus, there is an incentive for borrowers to rollover the loan. An empirical study by Stegman and Faris (2003) indicates that the financial performance of payday lenders is significantly enhanced by converting occasional users into chronic borrowers.

An economic impact study by IHS Global Insight (2009) claims that the payday lending industry contributed over $10 billion to the national Gross Domestic Product (GDP) in 2007 and helped generate over $2.6 billion dollars in federal, state, and local taxes. In addition, it claims the industry directly employs more than 77,000 people. The numbers cited are based on an input-output model. An input-output model is similar to a Social Accounting Matrix (SAM), which is discussed in the section describing our economic impact study.

The objectivity of the IHS Global Insight study is severely compromised because it was commissioned by the Community Financial Services Association (CFSA), a lobbying group for the payday lending industry. In addition, the study methodology has at least two significant flaws. The first issue is that the study only looks at the positive impact of the industry. In other words, the study assumes that the revenues, taxes, and jobs created by the industry are independent and have no adverse effects on other industries or households. No one disputes that the payday lending industry generates revenue, pays taxes, and employs people. The issue is whether its presence creates a *net* gain in GDP, taxes, or employment. An economic impact study of casino gambling (Gazel, 1998), for example, found cases where the addition of a casino actually had a negative net effect on the local economy. As with the payday lending study, Gazel acknowledges that casinos directly employ people and generate some additional demand for local businesses. However, the positive impacts are often more than offset by negative impacts. Gazel divides the negative impacts into three categories: the cannibalization impact; additional public expenditures; and negative externalities.

The cannibalization impact is the reduction of economic activity of other businesses resulting from shifts in local resident expenditures from existing businesses to the new one. Since payday lenders typically profit from local low-income households, it is highly likely that a large portion of the fees paid to payday lenders would have been spent with other local businesses. Owners and franchisors of payday lenders typically do not live in the locales of their establishments, so the profits and franchise fees are not spent locally. Therefore, the net direct effect of payday lenders on the local economy is likely overstated.

While we leave this exercise for another study, evidence from other studies (*e.g.*, Melzer, 2011) suggest that the losses incurred by low-income consumers of payday lending services could lead to more public expenditures in poverty-related public programs such as food or medical assistance. Additional public expenditures should be subtracted from the additional tax revenues to calculate the net fiscal impact of a new establishment.

Finally, negative externalities refer to costs that are borne by those not directly involved with a transaction. Again, we leave specific details for another study but suggest some possible externalities of the payday lending industry are those often associated with poverty, including lower productivity to employers due to poorer health, poorer performance of children in school, increase in domestic abuse and other crime, and increase in losses to other creditors.

The second flaw in the IHS Global Insight study is the failure to account for shifts income distribution. Given the large percentage of low-income clientele, it is reasonable to assume that the presence of a payday lending outlet in a community would cause a shift in income distribution from lower-income groups to higher income groups. A related issue is leakages. Since the owners of payday lending outlets are unlikely to live in the same community as their clients, a larger percentage of the fees paid to payday lenders may leave the local economy than if the clients had spent this money at other local establishments. Further, low-income households tend to spend more locally than their higher-income counterparts (Hughes, 2003). These issues are discussed further in the economic impact section.

Gallmeyer and Roberts (2009) posit that the presence of payday lenders serve as both an indicator and an aggravating factor of economic distress in a community. Their spatial and statistical analysis indicate that payday lenders are more likely to occupy neighborhoods with lower income, moderate poverty, and a higher percentage of ethnic minorities, immigrants, young adults, elderly, military personnel and those working in non-professional occupations. A North Carolina study by Burkey and Simkins (2004) found that the number of payday lenders increase and the number of banks decrease as the percentage of African-Americans increase in an area. Their study also indicates that payday lenders tend to locate more in neighborhoods with higher percentages of working poor. Not surprisingly, a lower percentage of residents with a college educationsalso tended to be correlated with an increase in the number of payday lenders.

A study of young consumers in Finland (Autio, Kaartinen & Lahteenmaa, 2009) indicates that young people who take an “instant loan” once are likely to do it again. Not surprisingly, those young adults who used instant loans tended to have worse money management skills than those who did not, and many were trapped in a vicious circle of borrowing. One conclusion of the study is the need for increased education in money management for young people.

Melzer’s (2011) empirical analysis of the availability of payday loans found strong evidence that increased availability of payday lenders to low-to-moderate income housholds significantly increased the probability that these households having difficulty in paying their mortgage or rent and utility bills. Increased access to payday lenders also increased the likelihood of delaying needed medical or dental care and purchases of prescription drugs.

Even if those studies funded by the payday loan industry are included, the negative impacts of payday loans cited in scholarly studies are far more numerous than the positive impacts. While some authors argue for outright bans on certain payday lending products (*e.g.*, Fox, 2007), others (*e.g.*, Stegman & Faris, 2003) claim that outright bans would drive some consumers in dire straits to underground loan sharks. They argue for more regulatory restrictions to reduce the likelihood of long-term debts cycles from payday loans. However, few, if any authors without a financial interest in the industry would argue against increased consumer education and alternatives to eliminate the need for payday lending. Finding better alternatives to payday loans falls within the scope of TCM's mission.

While the VITA service is not aimed directly at payday loans, it does aim to prevent the use of tax refund anticipation loans (RALs) or related products. RALs and related products are often included as part of the payday lending industry because of the characteristics they have in common with payday loans. They offer "instant money" for short terms at extremely high interest rates (often over 100 percent APR). Also, they target many of the same low-income customers as payday lenders. Many of the major payday lenders offer tax preparation services that include the option for instant refunds or complementary products.

Another major source of RAL-type products are establishments such as H&R Block or Liberty Tax Service whose advertised main line of business is tax preparation services. An Internet search on the terms "refund anticipation loan" and "fast tax refund" using Google and several other search engines brings up results with advertisements for both tax preparation services and payday lenders.

A report by the National Consumer Law Center (NCLC) and the Consumer Federation of America (CFA) estimate that in 2010, consumers paid $338 million in RAL fees plus $48 million in add-on fees. This amount was down significantly from a peak of $1.24 billion in 2004. The decrease occurred because major RAL lenders started to exit the market (Wu & Fox, 2010).

Data from several sources show that the majority of consumers who used RALs are low-income taxpayers. IRS data from 2010 show that 92 percent of RAL applicants were low-income earners (Wu & Fox, 2010). Jackson Hewitt Tax Service reported that 73 percent of its RAL customers earned less than $30,000 annually. Also, RALs disproportionately impact the working poor who qualify for the Earned Income Tax Credit. IRS data for 2005 show that over 60 percent of RAL users were EITC recipients; however, they only made up 17 percent of individual taxpayers (Fox, 2008). Thus, the target clients of the VITA program are statistically much more likely than an average taxpayer to use a RAL or related product.

Technically, bank-issued RALs no longer exist. In the past, major banks had financed RALs and tax preparation services received hefty fees to serve as intermediaries between the client and the bank. Under pressure from the Federal Deposit Insurance Corporation (FDIC), the last commercial bank exited the RAL business after April 2012. A key driver for banks exiting the RAL business was a change in IRS policy which previously had allowed the IRS to provide a "debt indicator" to tax preparers (Wu & Fox, 2010). This new policy meant that potential RAL lenders would not be able to verify if a client had outstanding tax liens or debts that would be deducted from his or her expected tax return, thus greatly increasing the risk of the RAL loans.

In spite of the loss of bank-issued RALs, those who profited from them are trying to make up for lost profits by offering a variety of RAL-like products. Those financial products are extremely important to many tax services. For example, Liberty Tax Service states that one of its business risks is the potential loss of arrangements to facilitate the sale of financial products provided by other organizations. The report further states that 21 percent of the company's net revenues during their 2013 fiscal year were directly derived from facilitation of RAL-like transactions (JTH Holding Inc., 2013, p. 24). Alternative financial products include Refund Anticipation Checks (RACs), Instant Cash Advances (ICAs), and temporary banks accounts for direct deposits- all for a fee. Some companies have even turned to non-bank financing of RALs so they can continue to offer RALs. Those who do not have the money to pay for the tax preparation service up front may be vulnerable to accepting RACs because the fees can be deducted from the refund. Critics of the product argue that the extra fees charged for an RAC amounts to a high-interest loan on the tax preparation service, but of course, those who provide these products disagree (Wu & Fox, 2010) (H&R Block, 2013).

Often, establishments offering RACs or similar products also offer complementary products such as pre-paid debit cards which can be loaded with the RACs. These debit cards carry fees for various types of transactions. Typically, these fees are much higher than those of a standard debit card issued by a commercial bank or a credit union. For example, one payday lender offers to load a client's tax refund on a pre-paid debit card. The cost is a monthly fee of $9.95 plus other service fees such as $2.50 per ATM withdrawal, $0.50 per balance inquiry, and other charges. Clients can also opt for a card without a monthly fee, but pay a per-transaction fee of $1.00 for a signature purchase transaction or $2.00 for a PIN purchase transaction. All cards have a $5.95 maintenance fee if no transactions occur in a given month (Ace Cash Express, 2013). Some tax preparation services that do not offer RACs, or similar products still offer prepaid debit cards for refunds or other related services such as check cashing that carry large fees. Lack of transparency of fees for tax preparation services and related products appears to be a widespread problem (Wu & Fox, 2010). Consumers will low financial literacy are particularly vulnerable to this lack of transparency.

Since the VITA services do not offer RALs, RACs or related products, every client who uses VITA is one less low-income consumer using these high-fee products. This presents one potential pitfall (and opportunity) for VITA. Consumers who are sold on the concept of the "instant refund" or related products may forgo using VITA's services because these products are not available through VITA. For example, when Jackson-Hewitt lost its RAL bank partner in 2010, it was not able to replace RALs funding in all of its offices. Business declined by 21 percent in markets that were unable to offer RALs (Wu & Fox, 2010). There have even been news reports of tax services offering RALs as a bait to get clients to use their services and then telling clients that their RAL application had been denied (after they had collected a fee for their filing services) (Johnson, 2013). A follow up survey on VITA clients who used the service in the past, but did not return, may help determine whether this is a significant detractor. If so, further efforts to educate low-income consumers on the true costs of RAL-type products may be needed.

VITA and similar programs are considered a threat to the business of tax preparation franchises. In its 2013 annual report, H&R Block specifically lists free tax preparation services as a risk factor that could adversely affect its revenues and profitability (H&R Block, 2013: 9). Therefore, it is not unreasonable to assume that such services in the future may attempt to compete with or undermine VITA or similar services. While we do not attempt a full competitive analysis of the tax preparation industry, we suggest that since commercial tax preparation services cannot compete with free tax services on price, they may try to compete based on convenience of location or operating hours, and by touting services not offered by free tax services (being careful to emphasize the benefits of such services while avoiding transparency on the costs). Given the much larger advertising budgets of the larger commercial tax services, educating consumers of the true costs of these services could be a challenge.

Data Collection and Summary Statistics

The main source of the data used for this analysis was VITA client surveys taken immediately after their returns had been filed. Of the 3,105 returns processed, 1,144 surveys were completed. The survey was modified part way through the filing season to provide additional information for our research. Out of the total of 1,144 surveys returned, 320 were updated surveys. The survey results and summary data regarding individual returns were provided by The Cooperative Ministry. One survey question asked the client to state their typical tax refund in years prior to using the VITA service. Since the survey used check boxes for dollar ranges, we used the average of the range selected to estimate a single value to be used in summary calculations. The summary statistics compiled from the data are presented in Table 3.2a through Table 3.2n. A total of 1,144 surveys were returned. Of these, 320 were the updated version of the survey.

Table 3.2a Summary Statistics from Survey Question 1: What is your gender?

N	Male	Female	Couple, filing jointly	Transgendered
1,123	32.1%	64.0%	3.9%	0

Table 3.2b Summary Statistics from Survey Question 2: What is your ethnicity?

N	African-American	Hispanic or Latino/a	Asian/ Pacific Islander	Native American/ Hawaiian	Caucasian	Other	*Two or more listed*
1,115	85.5%	1.9%	0.8%	0.2%	9.7%	1.6%	0.4%

Table 3.2c Summary Statistics from Survey Question 3: What is your current living arrangement?

N	1,084
I own my own home and have a mortgage.	23.0%
I own my own home without a mortgage.	8.9%
I rent a home or apartment.	41.2%
I live with my family.	16.4%
I live with someone else.	6.2%
I live in a dorm or other group setting.	1.7%
I am currently homeless.	1.9%
Multiple responses	0.6%

Table 3.2d Summary Statistics from Survey Question 4: Are you or a member of your household currently disabled?

N	Yes	No
1,075	19.8%	80.2%

Table 3.2e Summary Statistics from Survey Question 5: What is the highest level of education you have completed?*

N	Less than High School or GED	High School or GED	Some college or technical school	Two-year degree (Associate's)	Four-year degree (Bachelor's)	Some graduate school	Graduate degree
1,097	9.2%	34.3%	28.8%	9.1%	10.2%	3.0%	5.4%

Table 3.2f Summary Statistics from Survey Question 6: Do you have a bank account?

N	Checking and savings	Checking	Savings	No, but would like one	No, not interested
1,091	52.2%	22.5%	9.9%	3.7%	11.7%

Table 3.2g Summary Statistics from Survey Question 7: If you think you are getting a refund, how do you plan to use the money?

N	1,068
Food or clothing	15.3%
Pay bills	58.4%
Rent, home repair, or mortgage	10.1%
Doctor or other medical bills	10.7%
Tuition or education expense	5.0%
Child care	3.8%
Savings	13.8%
Transportation; buy or repair car	13.7%
Spend it on something else	3.7%
Don't know, not getting refund; choose not to answer	16.5%

Note: Total exceeds 100% because one survey could contain multiple responses.

Table 3.2h Summary Statistics from Survey Question 8: Would you like to receive more information on any of the following?

N (total respondents to this question)	432
Budgeting	33.1%
Bank accounts	8.1%
Credit and loans	11.6%
Credit repair and debt reduction	39.4%
Mortgages and home ownership	20.8%
Foreclosure prevention	5.8%
Paying for education	21.1%
Starting a small business	27.8%

Note: Total may exceed 100% because one survey could contain multiple responses. 37.8% of the survey respondents (432 respondents) requested information on one or more the finance-related topics listed in the table above. 712 of the surveys did not have a response to this question.

Table 3.2i Summary Statistics from Survey Question 9: In years prior to using this free tax preparation service, how did you file your taxes?

N	**Commercial tax preparation service***	**Used another free tax service**	**Filed by myself**	**Assistance by family member/ friend****	**Did not file**	**Don't remember**
283	43.5%	22.6%	11.7%	12.4%	3.9%	4.9%

*Eight responses included in this group combined this choice with other choices.
**Two responses included in this group combined this choice with "Filed by myself".

Table 3.2j Summary Statistics from Survey Question 10: In years prior to using this free tax preparation service, what was your typical tax refund?

N	No refund	1 to $500	$500 to $1500	$1500 to $3000	over $3000
275	31.6%	27.6%	26.9%	8.0%	5.8%

Table 3.2k Average Refund Prior to Using VITA Tax Service*

N	Average refund
275	$750.91

*Calculated from survey question 10 using sum average for each range times the number of observations (no refund set at zero, over $3000 set at $4000).

Table 3.2l Summary Statistics from Survey Question 11: If you used a commercial tax preparation service in prior years, did you use the loan or instant refund service offered?

N	Not applicable	Yes	No	Not offered	Don't remember	Not sure
273	19.4%	15.0%	44.0%	3.3%	9.2%	9.2%

Note: If the "Not applicable" and "Not offered" responses are dropped from the total (N=211), the percentage of respondents using the instant refund service increases to 19.4%. Further, if half of the respondents who answered "Don't remember" or "not sure" are assumed to have used the service, percentage increases to 31.3%.

Table 3.2m Columbia Area VITA Program 2012 Tax Year Statistics (as reported by The Cooperative Ministry)

Total returns processed: 3,105
Number of service sites: 10
Average Adjusted Gross Income of clients: $18,500 (up from $16,700 in previous year)
Total tax refunds to clients: $2,586,037 (including $1,052,766 in EITC)
Total taxes due from clients: $291,361

Table 3.2n Summary Calculations from Survey Data and TCM Statistics

Average refund to clients*: $832.86
Estimated average increase per tax return compared to years prior to using service: $81.95 ($832.86 – $750.91 (from Table 3.2k))
Estimated total increase to clients compared to years prior to using service: $254,455 (3,105 returns processed times the average increase of $81.95 per return)
Total returns with zero refund or owing taxes: Data not collected

*Since the client survey did not gather data on the amount of taxes owed in prior years, the average refund prior to using VITA was calculated using the positive refund values only. In order to be consistent, we calculated the average VITA refund based on the positive refund value (*i.e.*, taxes owed were not subtracted from the total).

Discussion of Tax Return Statistics

Based on the summary statistics, a "typical" VITA client in The Cooperative Ministry's area of operation is a non-disabled single African-America female with a high school education or GED who is a renter (Tables 3.2a,3.2b, 3.2c, 3.2d, 3.2e). However, there were respondents in all demographic groups except transgender. One statistic that stands out is that only 3.9 percent of the clients filed jointly. The American Community Survey for Richland County, South Carolina for 2012 estimates that married couple families are 40.1 percent of all households (U.S. Census Bureau, 2013b). While married households are less likely to be in a low-income category for the obvious reason that they are more likely to have two incomes, the low figure indicates that outreach efforts to educate potential clients on the VITA service may not be reaching married couples.

74.9 percent of the respondents indicated that they had a checking account (Table 3.2f). 15.4 percent indicated that they were unbanked. Lower income clients with a high percentage holding checking accounts would position these VITA clients as prime target customers of payday lenders. Also, the demographic data of TCM clients closely mirrors the characteristics associated with a higher percentage of payday lenders locating in an area as discussed in the literature review (Burkey and Simkins, 2004; Gallmeyer and Roberts, 2009)

Bill payment was by far the largest category of planned use of the tax refunds (58.4 percent) (Table 3.2g). Other than the specific categories of rent and medical bills, the survey does not differentiate between bill payment and debt reduction. (It may be useful to add a "debt reduction" category to future surveys.) Based on personal stories in the literature, where people were unable to get out from under payday loans until they received a tax return (for example Pew, 2012), it is not unreasonable to assume that at least a portion of some tax refunds were used to repay payday lenders.

37.7 percent of the respondents requested information on one or more of the finance-related topics listed in the survey (Table 3.2h). Credit repair and debt reduction was the category with the most requests for additional information (39.4 percent of those responding to the question). It was followed by budgeting (33.1 percent) and starting a small business (27.8 percent). While we did not attempt to do a correlation analysis on the surveys with multiple interests selected, it appears that a significant number of those who are interested in starting a small business are also interested in paying for education.

The educational attainment of VITA clients as measured by percentage of high school graduates or equivalency was very similar to the average for all of Richland County (90.8 percent vs. 91.4 percent) (Table 3.2e). However, the percentage of college graduates (4-year degree or higher) was much lower than the county average (18.6 percent vs. 37.4 percent) (U.S. Census Bureau, 2013c). This result is not unexpected given the positive correlation of income with college education.

The American Community Survey estimates there were 141,771 total households in Richland County in 2012. Of these, 51.6 percent or 73,154 households were estimated to make less than $50,000 in annual earnings. Even ignoring the other three counties (Lexington, Newberry, Kershaw) that are partially served by VITA, only about 4 percent of eligible households made use of the service. Hence, there is great potential to expand the service if more potential clients can be reached and resources are available to serve them.

Survey data indicated that prior to using VITA, 43.5 percent of clients used a commercial tax preparation service (Table 3.2i). The National Society of Accountants 2013 fee survey reports the average fee charged by a commercial service to file a Form 1040 and a state return with no itemized deductions to be $152 (National Society of Accountants, 2014). In their 2013 annual reports, H&R Block and Liberty Tax Service state their average return fees to be $198 and $180, respectively (H&R Block, 2013; JTH Holding, 2013). Based on the more conservative estimate of $152, we estimate the tax preparation fees saved by VITA clients for the 2012 tax year to be $205,352 (1,351 clients times $152 per return). If we used the average fee of H&R Block and Liberty Tax Service, who heavily target low-income taxpayers, the average fee paid would be $189. This would make the estimate of fees saved by VITA clients increase to $255,339 (1,351 clients times $189 per return). Further, we use survey data to estimate the percentage of clients who used the RAL or related instant refund option to be between 15 percent and 31.3 percent. It is not clear from the survey questions whether those who used an RAL and listed their estimated tax return amount used the total return before or after RAL fees were deducted. In the former case, the net amount of the return received would be overstated. In either case, the estimated differential increase in the return after using VITA should be conservative.

Based on the survey data, the average estimated client tax refund prior to using the VITA service was $750.91. The average refund for VITA clients who received a refund for the 2012 tax year was $832.86. The difference of $81.95 (Table 3.2n) is a 10.9 percent increase. When this increase is multiplied by the number of returns processed (3,105), the total value of the increase is $254,455 (Table 3.2n). Based on the average tax return preparation fee savings total of $205,352 and the estimated increased refund total of $254,455, we estimate the total value of the tax preparation services provided by TCM and VITA to be $459,807. We use and discuss several of these estimates in the economic impact analysis.

Economic Impact Analysis

The primary tool used for this economic impact analysis is a Social Accounting Matrix (SAM). A SAM is based on the fundamental economic principle that for every income, there is a corresponding expenditure (Pyatt, 1988). In others words, a dollar spent by one entity becomes a dollar of revenue to another entity. The SAM is similar to an Input-Output model used in many economic impact studies, but is expanded to include non-market income flows such as those from governments to households (Pyatt, 1988). The SAM is a square matrix where the rows represent revenue or receipts and the columns represent expenditures or transfers. Each row represents an economic entity such as an industry sector, government, resource, or households. For every row, there is a corresponding column representing all the entities from the rows. Depending on the purpose of the analysis, the entities can be aggregated or subdivided. For example, an industry sector such as agriculture can be aggregated into a broad "production" entity or subdivided into smaller specialty subsectors such as grain farming and dairy farming. We can subdivide households based on their income level as a means of analyzing distributional effects. SAMs can be used on scales all the way from small local economies to entire transnational economies such as the European Union. The entities used in a SAM are both within the economy in the analysis (endogenous entities) and external to the economy in the analysis (exogenous entities). Exogenous entities are included because we are usually interested in the impact of changes in exogenous expenditures on the regional economy.

Another principle that is an integral part of a SAM analysis is the multiplier effect. The multiplier effect essentially states that a change in expenditures in one sector of the economy affects other industries and households (Karlan and Morduch, 2014). For example, if a homeowner pays a contractor $5,000 to remodel his kitchen, the contractor will use some of the money to buy local materials or pay local subcontractors, and may use part of the profits to purchase a new computer, dine out, or use as a down payment on a new truck. That additional spending causes those who received the money to spend additional money on various goods and services in the economy. The process continues until the additional spending caused by the initial increase becomes negligible. Thus, because of the multiplier effect, the economic impact of the initial spending increase of $5,000 will significantly exceed $5,000.

The multiplier effect is often divided into direct effects, indirect effects, and induced effects. Direct effects are changes in income, output, or employment in the economic group or entity to which changes in revenue (final demand) have been made. In our example above the direct effect would be the additional $5,000 paid to the contractor (or to the remodeling industry). Indirect effects are changes in economic activity from inter-industry purchases that result from the direct effects. An example of an indirect effect would be the additional purchases of gasoline the contractor used to travel to the job site. Induced effects are changes in economic activity that result from changes in spending from households as wages change because of the direct and indirect effects (Miller & Blair, 2009). An example of an induced effect would be an employee of the contractor using the extra wages he earned from the remodeling work to take his family to a restaurant for dinner.

Money invested in an economy from exogenous entities represents injections into the local economy. An injection is sometimes referred to as a shock and the specific amount of the injection is also called the shock value. Because of multiplier effects, every dollar of injection into that economy should have more than one dollar of total impact. One of the main determinants of the magnitude of the multiplier effect is the strength of the linkages between industries within the economy in the analysis. For example, if a significant lumber or building materials industry is present in a regional economy, then there will likely be a strong linkage between the construction industry and the building materials industry. Thus, an increase in purchases in the construction industry will result in a significant increase in income to the building materials industry. If the building materials industry does not have a significant presence in that regional economy, then the multiplier effect of increased purchases in the construction industry will be much weaker, because the building materials will have to be purchased outside the economy. These purchases outside of the economy of the study represent leakages out of that economy. The greater the magnitude of the leakages, the weaker the multiplier effect (Miller & Blair, 2009).

The starting data points for the models used in the analysis were estimated using IMPLAN software. IMPLAN is a company which produces software for Input-Output analysis and compiles detailed datasets of industry sector multipliers for local, regional and national economies. The SAM model used in this analysis represents the Columbia-Orangeburg-Newberry Combined Statistical Area. This area includes Richland, Lexington, Kershaw, Fairfield, Saluda, Calhoun, Newberry, and Orangeburg Counties. The regional delineation represents the geographic footprint of the Columbia area economy and provides a very close approximation of the economic characteristics of the area covered by the VITA service. The basic industry to industry relationships and household purchases as determined in the IMPLAN for the Columbia region were also used in our model. However, a limitation of the IMPLAN SAM is that the employee compensation matrix is one-dimensional (Hughes & Shields, 2007), meaning that this model's estimates of the effects on income distribution of the different income groups is likely to be biased because household income patterns differ by level. A further and perhaps more important limitation is that such models cannot be used in looking at the impacts on income distribution of a given policy or shock.

Following Holland and Wyeth (1993) and Hughes and Shields (2007), the SAM used in this analysis is formally stated as:

$$\begin{bmatrix} \boldsymbol{A} & \boldsymbol{C} \\ \boldsymbol{H} & \boldsymbol{0} \end{bmatrix} \begin{bmatrix} \boldsymbol{X} \\ \boldsymbol{Y} \end{bmatrix} \quad \text{Figure 3.1}$$

where: **A** is n by n a matrix of fixed coefficients showing on the dollar value of total revenue purchases by regional industries from regional industries (n is the number of industries, 1…,n), **H** is a 9 by n matrix of fixed coefficients showing on the dollar value of revenue received by regional industries to nine classes of regional household (because we break households into nine income groups), **C** is a n by nine matrix of purchases by the regional households (for the nine income classes) of goods and services produced by regional businesses per dollar of household income, **0** is a matrix of zeros, **X** is a n by one vector of regional output or total revenue, and **Y** is a nine by one vector of household income for the nine household income classes.

The first matrix is used to solve for multiplier effect or total changes in our variable of interest given a particular shock or change in economic activity.

For income, we can solve for

$$[\mathbf{I} - (\mathbf{I}\text{-}\mathbf{A})^{-1}\ \mathbf{CH}]^{-1} \quad \text{Figure 3.2}$$

that can be used to show changes in industry output throughout the economy for a change in industry output throughout the economy for a particular set of changes in industry output and for

$[\mathbf{I} - \mathbf{H}(\mathbf{I}\text{-}\mathbf{A})^{-1}\,\mathbf{C}]^{-1}$ Figure 3.3

that can be used to show changes in household income throughout the economy for a particular set of changes in household income. Quoting Holland and Wyeth (1993, p. 21), equation 3.3 is “the linkage from households/consumption to increased supply in the productions sectors back to increased income to households” or, on a round by round basis, increases in household income lead to increases in consumption (via C) that via the production matrix (I-A) are translated into payments to households (via H) thus setting off another round of household income growth. The equation can also be easily used to show the impact of changes in industry output on income levels for each of the nine household income groups.

Impacts on the Distribution of Household Income

Based on the relationships described in equations 3.2 and 3.3, we used the results from our SAM to look at the possible implications for household income distribution in the Columbia region. We also analyzed the impact of an increase in sales by the financial services sector equal to our largest shock value of $2,586,000 (Table 3.2m) which represents the total amount of tax refunds received by VITA clients. This approach assumes that the financial sector would ultimately take all of the tax refund (and is done to make a dollar for dollar comparisons of the two scenarios to facilitate the analysis of income distribution). This increase in sales serves as an upper bound on increases in activity based on the use of a tax preparation services firm. The SAM model output estimates the change in total industry output, gross regional product, earned income, and employment.

The increases in earned income are then distributed to each of the nine household income groups based on the coefficients found in the SAM model, which show the multiplier effect of a change in output for each sector of the Columbia area economy on the respective household income groups (or the $[I – H(I\text{-}A)^{-1} C]^{-1}$ matrix as found in Holland and Wyeth (1993), Hughes and Shields (2007)), and in Hughes and Isengildina-Massa (2015). These SAM model coefficients were used to distribute the change in earned income under both the VITA and financial services scenarios to each of the nine household income groups. To facilitate understanding, results are aggregated into three household income categories (under $35,000, between $35,000 and $100,000, and over $100,000).

We followed the methodology proposed by Hughes and Shields (2007) to create a SAM that would model the economic impact of the VITA program on the regional economy, and also the effects on the annual household incomes in each of nine income categories (under $10,000, $10,000 to $15,000, $15,000 to $25,000, $25,000 to $35,000, $35,000 to $50,000, $50,000 to $75,000, $75,000 to $100,000, $100,000 to $150,000, and over $150,000). For the analysis, we extracted data on household incomes in South Carolina using a five percent sample of the Integrated Public Use Microdata Series (PUMS) dataset for the year 2009 (Hughes & Isengildina-Massa, 2015). This data was used to estimate the relationship between income and household money income. Our assumption is that payments by industries to households at the state level are similar in nature to those existing for our regional Columbia-based economy.

Next we estimated the amount of non-money personal income that a typical household in each income class received from specific sources such as an EBT card. These estimates are based on national data, but based upon Hughes' and Shields' (2007) justifications, we believe that this assumption provides a reasonable approximation of household behavior at the regional level. In-kind transfer payments such as Medicaid are treated as income, but are not money income. The values in the matrix were normalized and used to show income distribution for the set of IMPLAN-based industries listed in Appendix B.

As previously mentioned, the economic impact estimate requires a shock value or initial change to conduct the analysis. The shock value in our case study is the additional amount of money that is injected directly into the regional economy from the activities of the VITA program. Some subjectivity may be involved in the selection of the shock value. Since the level of detail in the survey data is limited, getting the shock value estimate requires making some assumptions. While all of the assumptions we present could be argued to be reasonable, different assumptions alter the shock value estimates. We ran the model using several different shock values which are based upon differing assumptions. Doing this gives a range of results from very conservative to more liberal estimates of economic impact. Table 3.3 summarizes the various shock values used in the SAM analysis. A discussion of each shock value follows the table.

Table 3.3 – Description of Various Shock Values Used in the SAM Analysis

Scenario Number	Shock Value	Scenario Description
1	$205,000	Estimated savings in tax preparation fees based on the national average tax preparation fee ($152) times 1,351 clients who previously used commercial services (Table 3.4)
2	$254,000	Total increase in refunds compared to refunds in years prior to using VITA. ($81.95 per average return times 3,105 returns processed) (Table 3.4)
3	$459,000	Scenarios 1 and 2 combined (Table 3.4)
4	$510,000	Scenario 2 combined with a higher estimated savings in tax preparation fees based on clients used higher-priced services of Liberty Tax or H&R Block ($189 savings per client time 1,351 clients) (Table 3.4)
5	$2,295,000	Total amount of refunds issued to TCM VITA clients minus total estimate of taxes owed by these clients (Table 3.4)
6	$2,586,000	Total amount of refunds issued to TCM VITA clients (Table 3.4)
7	$200,000	Estimated TCM VITA program budget (Table 3.5)
8	$2,586,000	Same as Scenario 6 except shock is run through financial services sector rather than through household income (Table 3.6)

NOTE: Values used in the SAM are rounded to the nearest $1,000.

The shock value of $205,352 (Scenario 1 in Table 3.3) is one estimate of the value of the savings the VITA clients gained by using the free service as compared to our estimate of what they paid previously by using a commercial service (*i.e.*, $152 per client as based on the National Society of Accountants survey result as discussed earlier) . A slightly higher estimate of $255,339 (Scenario 2) is the estimated savings gained by VITA clients assuming they would have used the commercial tax franchises such as Liberty Tax or H&R Block, whose average fees are somewhat higher than the national average (*i.e.*, the $152 is replaced by $189 in the calculation as also discussed earlier).

We argue that these savings represents an injection into the regional economy because all of the savings go directly to residents of the economy.

A more generous estimate of the shock value is $2,586,037 (Scenario 6 in Table 3.3), which is the total amount of the refunds that were disbursed to TCM VITA clients (Table 3.2m). Subtracting the tax payments which the clients owed ($291,361 from Table 3.2m) from this number gives a value of $2,294,676 (Scenario 5), which seems more reasonable since the tax payments represent a leakage which would offset the shock value. The value of $254,455 (Table 3.2n) represents the estimated total increase in the tax refunds for clients using the VITA service as compared to the refunds the clients reported prior to using the VITA service (as estimated by the reported $81.95 average for each clients in terms of increased tax refund times the number of clients (3,105)). This value provides what we argue is a very reasonable estimate on the conservative end of the range. The survey information is unclear as to whether the tax refund amounts that VITA clients reported was before or after the tax preparation fees were paid. If we make the assumption that the refunds were prior to paying the fees, then it is reasonable to use the total of the amount of fees saved plus the increase in tax refunds. Recalling that we have two estimates of this avoided cost (the $205,352 based on a $152 per client preparation fee or scenario 1 and the $255,339 based on a $189 per client preparation fee or scenario 2). Adding the $254,455 to the former yields a shock of $459,807 (Scenario 3) while adding it to the latter yields a shock of $509,764 (Scenario 4); that is, the shock used depends on which assumption we use for the amount of savings of tax preparation fees.

In addition to the savings of tax preparation fees and the tax refunds received, the program budget also represents an injection into the local economy and could be added to the shock value. The program budget for 2013 was approximately $200,000 (Pearson, 2013). This value is run as a separate shock (Scenario 7 in Table 3.3) to show the economic impact of the program budget itself (Table 3.5). The total impact is found simply by adding the impact of the program budget to the impact of the service itself.

The model estimates the impact of the shock value on the regional economy for the following categories: total industry output, earned income (for all household income groups), gross regional product, and employment (number of jobs created). Table 3.3 summarizes the shocks used in the SAM analysis. All shocks except Scenario 8 were run as income to households in the $15,000 to $25,000 range because this income range most closely matched the average TCM VITA client. Scenario 8 was run as a shock through the financial services sector as discussed above.

Results of SAM Analysis

The results of the SAM analysis using various shock values discussed in the previous section are summarized in Tables 3.4 – 3.6 below. Appendix B contains a detailed output of the results which breaks the impact down by industry sector. The total impact estimate with the program budget included can be found be adding the effects of the program budget to the corresponding effects of any other independent shock value. The effects of the program budget are listed in Table 3.5. Finally, Table 3.6 shows the economic impact of the shock value if it had been channeled through the financial services sector rather than as income to low income households. A comparison of difference of this result with the result for the same shock value in Table 3.4 estimates the net effect of the VITA program on the regional economy.

Table 3.4 - Estimated Economic Impact of Various Shock Values

Scenario	Shock Value	Total Industry Output	Earned Income	Gross Regional Product	Employment
1	$205,000	$265,562	$89,084	$158,226	2.3
2	$254,000	$329,039	$110,378	$196,046	2.9
3	$459,000	$594,602	$199,462	$354,271	5.2
4	$510,000	$660,669	$221,624	$393,635	5.7
5	$2,295,000	$2,973,009	$997,309	$1,771,357	25.8
6	$2,586,000	$3,349,979	$1,123,765	$1,995,960	29.1

Table 3.5 - Estimated Economic Impact of VITA Program Budget

Scenario	Shock Value	Total Industry Output	Earned Income	Gross Regional Product	Employment
7	$200,000	$259.086	$86,911	$154,367	2.2

Table 3.6 - Impact of Shock Run through Financial Services Sector

Scenario	Shock Value	Total Industry Output	Earned Income	Gross Regional Product	Employment
8	$2,586,000	$3,739,116	$936,537	$1,970,622	19.7

Table 3.7 - Impact of $2,586,000 Shocks on Earned Income for Household Income Groups

Shock location	$0 to $35,000	$35,000 to $100,000	$100,000 and over
Households (Scenario 6)	$64,934	$439,862	$618,968
Financial services sector (Scenario 8)	$39,861	$387,297	$509,379

As shown in Tables 3.4 and 3.6, the increase in total output is slightly smaller for the VITA impact scenario versus the financial services shock scenario but the gain in gross regional product is slightly larger ($1,995,960 versus $1,970,622 or 1.3 percent greater) and the increase in earned income ($1,123,765 versus $936,537 or 20 percent greater) and employment are markedly larger (29.1 jobs versus 19.7 jobs or 47.6 percent greater). Accordingly, our results are broadly consistent with the study by Lohrentz (2013), who used input-output analysis in estimating that payday lenders have a markedly negative impact on local economies (the impact of lost household spending exceeds the impact of economic activity by payday lenders by $0.24 per dollar of direct activity).

As shown in Table 3.7, the increase in earned income is greater under the VITA scenario as opposed to the Financial Services scenario for each of the three household income groups ($64,934 versus $39,861 for the lowest income group, $439,862 versus $387,297 for the middle income group, and $618,968 versus $509,379 for the highest income group). For the lowest income group, the VITA shock in terms of earned income was 62.9 percent greater than the financial services shock, for the middle income group the increase in earned income under the VITA scenario was 13.6 percent greater, and for the highest income group the increase in earned income under the VITA scenario was

21.5 percent greater. The lowest income group also had a larger share of the VITA shock (5.8 percent) as opposed to the financial services shock (4.3 percent). Model results indicate that returns to local households in all three categories were greater under the VITA scenario than the financial services scenario, but that the largest relative difference was for the lowest household income group. Accordingly, model results provide support for the hypothesis that the lowest income households receive the greatest relative benefit when spending arises from lower income households and imply another benefit of the VITA program.

However, spending by low income households is still problematic. Specifically, model results under both scenarios provide support for the trickle-up findings from other SAM models (Adelman and Robinson, 1986), where spending tends to end up in the pockets of the well to do whatever its origin (with the highest household income group garnering the majority of the increase in earned income under both scenarios).

Discussion of Results

Depending on the assumptions used to obtain an estimate of the shock value, the economic impact of the VITA program, not including the program budget, on total industry output in the regional economy ranges from about $266,000 to $3.35 million. The impact on employment ranges from about 2 jobs to 29 jobs. Including the program budget adds an additional $259,086 to total industry output and about 2 jobs.

While these numbers seem small in comparison to the overall regional economy, they are nonetheless positive. Furthermore, this estimate is for only one program which is relatively small and limited in scope. The total economic impact of all social programs in the region would likely be substantial. Also, as mentioned earlier, the program is reaching less than four percent of the eligible households. If this percentage increased to 20 percent, the estimated impact on total industry output would increase to $1.33 million for the most conservative estimate, or to $16.75 million for the most liberal estimate. Depending on which assumptions are used, the employment impact would increase to between 10 and 145 jobs.

The estimate of the economic impact is based upon the additional refunds that VITA clients received and / or upon the savings gained from not paying for commercial tax preparation services. The service likely has other economic gains for the clients that are not directly measured in the analysis. For example, the analysis does not capture the savings from avoiding other financial “products” such as check cashing or pre-paid debit cards which are offered by many of the commercial services. Also, the survey data indicate that 37.8 percent of the clients were interested in learning more about at least one of the financial education topics offered by TCM’s programs.

The analysis does not capture any economic benefits that clients may have obtained from additional financial education. Follow-up studies that tracked clients who used the educational services and compared behaviors before and after the financial education, or to a control group who did not undergo the financial education may be able to provide an estimate of the economic value of the education. This impact could be added to the SAM analysis. In addition, the full social value of the program is not captured. The analysis does not capture any social value that is created that is not directly tied to the economic factors we discussed. For example, the interaction between the clients and TCM personnel could create some social capital or human capital, especially for those clients who opt to expand their relationship with TCM by utilizing the financial education offered as part of the Financing Your Future programs. As discussed in the literature review, additional social capital is likely to have a positive impact on the economy. In addition, increased household income could result in savings to the public be reducing the need for social programs such as food stamps.

One of the assumptions of the first SAM analysis was that the money that clients spent in prior tax years on commercial tax preparation services represented a complete leakage from the local economy. While franchise fees owner profits and most supporting purchasing likely did not stay in the local economy, it is possible that some of the material purchases and other expenditures did not leak out of the economy. We would need additional research to verify if this is an accurate assumption. The impacts we calculated are gross impacts rather than net impacts. The net impact would be somewhat less, but additional research would be needed to quantify the actual net impact. However, the SAM analysis using the shock to the financial services industry provided some comparison of the different impact on the regional economy between two scenarios, and showed that the impact on household earned income in the region was significantly greater when the shock value was applied to payments to households rather than payments to the financial services sector. Depending on the magnitude of the actual net impact, the social justice and equality results of the income distribution effect and indirect non-economic factors may be a stronger argument in favor of the activity of this social enterprise rather than the overall economic impact.

Summary and Conclusions

Our study indicates that the activities of social enterprises can have a measureable economic impact. SAM analysis can be an effective tool for quantifying this impact. The case study provides an example of how this can be done. However, SAM analysis is not without limitations. SAM analysis measures only the impact of the activities that can be assigned a monetary value. Social value that is independent of the economic factors is not accounted for. This social value is likely to have positive economic impact. Therefore, SAM analysis is likely to understate the total economic impact of a social enterprise. Further research is needed to add extensions to the SAM analysis to include social value generated, or to create a supplementary measurement system that can be used in conjunction with a SAM analysis. However, a SAM model can be used as a starting point to provide a conservative measure of the economic impact of a social enterprise.

CHAPTER FOUR

THE IMPACT OF BENEFIT CORPORATIONS ON ECONOMIC DEVELOPMENT

Introduction

This essay examines the role of benefit corporations in economic development. It begins with an overview of the history of emergence of the benefit corporation as a legal form. Next, we review the literature and evaluate arguments supporting and against the need for benefit corporations. The literature review also examines different conceptual frameworks of economic development and how benefit corporations could fit within these frameworks. As part of this study, we examine various relevant concepts of economic theory and how these concepts apply to economic development and benefit corporations. In addition, we discuss social entrepreneurship and corporate social responsibility and how benefit corporations fit within these concepts. Finally, we undertake a study of benefit corporations formed in California and assess their contribution to economic development. One component of this study includes a statistical analysis of whether benefit corporations are more likely to fail than conventional corporations. We conclude with a discussion of results, policy recommendations, and suggestions for further research.

Legal Form

Benefit corporations are a recent legal form of commercial organization, with the first benefit corporation law taking effect in Maryland in 2010. Since 2010, the majority of states (30 as of December 31. 2015) and the District of Columbia have passed benefit corporation statutes and several more have legislation in process (B Lab, 2016a). The laws vary somewhat from state-to-state, but all require a benefit corporation to create a "general public benefit" and most require or give the option to also create a "specific public benefit". In addition, most laws require that to maintain their legal standing, benefit corporations must also publish a publicly available annual public benefit report that discusses the public benefits created during the reporting period. In addition, most state laws require that the claimed public benefits be assessed to an established third-party standard. However, statutes do not necessarily require certification by a third party. The statute may also require the appointment of a "benefit director" or "benefit officer" which is charged with reporting on the compliance of the benefit corporation with the requirements outlined in the statute.

In many states with benefit corporation laws, new businesses may form as a limited liability company (LLC), an S Corporation, or a C Corporation with the option to also organize as a benefit corporation. In some states, benefit corporations may only form as a corporation. From a legal and tax standpoint, they are treated like any other LLC or corporation. Sometimes, opting to organize as a benefit corporation is as simple as checking a box on the LLC or corporation application and briefly stating the public purpose or benefit to be produced by the organization (*e.g.*, Nevada Secretary of State, 2015). In many states, there is no special designation for a benefit corporation, but in others, there is such a designation. For example, in Delaware, benefit corporations are designated by "PBC" (Public Benefit Corporation) after their names (Delaware SB 47, 2013). In Hawaii, benefit corporations are called “sustainable business corporations” (Hawaii SB 298, 2011). However, the statutory language is very similar to other benefit corporation legislation, so in spite of the name variations, they are considered to belong to the benefit corporation category.

Benefit corporations are not the only legal form to consider both profit and public or social benefit that have been created by state legislatures. For example, Low-Profit Limited Liability Corporation (L3C) laws have been enacted in several states. Other legal forms include Social Purpose Corporations, Flexible Purpose Corporations, and Special Purpose Corporations (Rawhouser, Cummings & Crane, 2015). However, the benefit corporation form has been the most widely adopted by state legislatures. Because of the similarity of benefit corporation statutory language across states, focusing on benefit corporations will yield broader applicability of our results nationwide. Therefore, other forms of organization are excluded in this paper.

Existing companies may opt to amend or restate their articles of organization to become benefit corporations. Often, this requires the approval of a two-thirds majority of the board of directors and shareholders. One key reason cited for a business to organize (or reorganize) as a benefit corporation is that the officers and directors of the organization can use the benefit corporation statute to protect the social mission of the organization. Since the organization has a statutory obligation to produce a public benefit, directors and officers have legal protection for considering the interests of non-financial stakeholders as well as shareholders (Clark and Vranka, 2013). Also, since the requirement to produce a public benefit is embodied in its charter, a benefit corporation may be better able to attract socially conscious investors because the investors' interests are protected (B Lab, 2016b). In addition, a benefit corporation could use its organizational status as a marketing tool targeting socially conscious consumers.

B Lab is a nonprofit organization that is an advocate for benefit corporation laws and also offers organizations a formal certification as a "Certified B Corporation". B Lab certification is not the same as being legally organized as a benefit corporation. Organizations in states without benefit corporation laws may become Certified B Corporations, and businesses organized as benefit corporations may opt not to become Certified B Corporations. However, B Labs offers their impact assessment tool free to organizations (B Lab, 2016c), and many organizations opt to use this impact assessment as their third party standard to which their organizations are assessed to comply with the third-party assessment requirements of their state law. Formal certification requires meeting the performance requirements established by B Lab and being subject to a random on-site audit (B Lab, 2016d).

As part of its advocacy effort for benefit corporations, B Lab maintains a web site (B Lab, 2016e) that contains a large amount of information on various aspects of benefit corporations. Included among this information is model legislation, which B Lab suggests that states use as the basis for their benefit corporation legislation. This model legislation was drafted pro bono by attorneys at the law firm Drinker Biddle & Reath (B Lab, 2016f). Many states have used this model legislation extensively, and much of the legislation drafted and adopted by state legislatures contain large excerpts from the model legislation that are used verbatim.

The model legislation defines a general public benefit as “A material positive impact on society and the environment, taken as a whole, assessed against a third-party standard, from the business and operations of a benefit corporation.” (B Lab, 2014, p. 3). This precise language is used in many of the benefit corporation laws in various states (*e.g.*, Arkansas HB 1510, 2013; California AB 361, 2011; Nevada AB89, 2013). Other states use somewhat different wording, but with very similar meaning. The model legislation also states that “specific public benefits” include the following:

> (1) providing low-income or underserved individuals or communities with beneficial products or services;
>
> (2) promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business;
>
> (3) protecting or restoring the environment;
>
> (4) improving human health;
>
> (5) promoting the arts, sciences, or advancement of knowledge;
>
> (6) increasing the flow of capital to entities with a purpose to benefit society or the environment; and
>
> (7) conferring any other particular benefit for society or the environment. (B Lab, 2014, p. 4-5)

Because many of the states use this exact or very similar language in their legislation to define specific public benefits, we use these categories as a framework for evaluating public benefit corporations.

Since the focus of this paper is the impact of benefit corporations on economic development, the first two specific public benefits listed are of particular interest in a more traditional approach to economic development. The term “underserved” used in conjunction with the provision of beneficial products of services to individuals or communities implies the absence of markets or perhaps, market failure. This will be discussed further in another section of this paper. When other approaches to economic development that are less centered on monetary definitions are considered, the other benefits listed could also be considered to create or facilitate economic development. We will also discuss some of these alternative approaches in the next section.

One key argument presented to policy makers to garner support for benefit corporation legislation in the potential impact benefit corporations may have on economic development. B Lab claims that “. . . the model legislation has a built-in economic development engine that opens up new markets for states by giving investors and social enterprise the tools they need to function effectively.” (B Lab, 2016f). The benefit corporation designation enables investors to identify corporations that are engaged in a social purpose, and the annual benefit reporting requirement allows investors to assess whether a company’s activities match the mission of their fund. Additional evidence of the belief that benefit corporations will enhance economic development is found in a letter from the Nevada Governor’s Office of Economic Development. In the letter, Executive Director Steven Hill endorsed the legislation that would create benefit corporations as a legal entity in Nevada. Further, Hill claimed that benefit corporations would be “. . . an additional tool for the state’s economic development efforts", and that benefit corporations would provide an additional job creation opportunity for the citizens of the state (Hill, 2013, p. 1).

Now that benefit corporations have been in existence for multiple years in a number of states, are the claims that benefit corporations will enhance economic development actually coming to fruition? A key purpose of this paper is to address the question, what is the impact of benefit corporations on economic development? Hence, we will study a sample of benefit corporations' public benefit reports to extract and compile their reported impact on economic development. As part of this process, we also undertake a preliminary analysis of whether benefit corporations are more prone to failure or success than conventional businesses. A secondary purpose is to discuss whether benefit corporations are engaged in social entrepreneurship. Social entrepreneurship can be broadly defined as ". . . the use of entrepreneurial processes for social purpose" (Parkinson and Howorth, 2008, p. 291), but we will discuss the definition further. An additional purpose is to explore the potential role of state and local government policy in increasing the impact of benefit corporations on economic development.

Review of the Literature

Arguments in Support of Benefit Corporations

As with other corporations, the intent of benefit corporations is to make a profit for shareholders. However, in addition, directors are required to consider other interests. Clark and Babson (2012) argue that the forces behind the creation of benefit corporations are driven by consumers, investors, and social entrepreneurs. Many U.S. consumers make purchase decisions based upon their sense of social and environmental responsibility and have used their purchasing power to punish companies whose actions they perceive not to be in society's best interests. While consumer demand for socially responsible products and business practices is increasing, public trust in corporations is decreasing. Various third-party certifications such as "LEED" for environmentally friendly building practices (U.S. Green Building Council, 2016) and "Fair Trade" for socially responsible purchasing practices (Fair Trade USA, 2016) have emerged to provide consumers with some independent assurance of a company's claims of social responsibility. However, comprehensive and transparent standards have been lacking. Many employees also prefer to work for companies that they believe to be concerned about social and environmental issues (Clark and Babson, 2012).

Investors are also increasingly interested in the social and environmental performance of companies. One recent report estimates that for U.S.-domiciled managed assets, the use of sustainable, responsible and impact (SRI) strategies grew by 76 percent from 2012 to 2014, and now accounts for more than one of every six dollars under professional investment management (US SIF Foundation, 2014). Like consumers, investors face a challenge to differentiate those companies that are truly socially responsible from the many who claim to be.

Finally, new entrepreneurs are showing increasing interest in creating social impact while making a profit. To some, profit is a secondary motivation (Clark and Babson, 2012; Yunus, 2006). Socially-minded entrepreneurs who want to differentiate their organizations to consumers and investors may have a difficult time doing so. Another issue facing these entrepreneurs is that traditional legal frameworks are structured around profit maximization, not social or environmental missions. Socially conscious entrepreneurs may be reluctant to accept outside investments in their organizations because investors' expectations for profit maximization could potentially put their social mission at risk (Clark and Babson, 2012).

U.S. business has a long tradition of profit maximization that has not only been supported by economic theory and philosophy, but by also legal rulings. Much of basic neoclassical economic theory is based upon the assumption of profit maximization. Milton Friedman famously stated that within legal boundaries ". . . the social responsibility of a business is to increase its profits." (Friedman, 2002, p. 57). Some interpretations of legal rulings, such as Dodge v. Ford and eBay Domestic Holdings, Inc. v. Newmark, are viewed as affirmations of Friedman's thesis that the primary responsibility of corporate directors is profit maximization.

With this legal framework, entrepreneurs who transfer equity (*i.e.,* ownership rights) to investors for capital not only face the possibility of being forced to dilute or abandon their social mission, but also may face legal liability for acting in the interests of non-shareholders. Some states have passed "constituency statutes", which permit directors to consider the interests of constituencies other than shareholders. However, these statutes were primarily aimed at providing directors a defensive tool against hostile takeovers, and may not be sufficient to meet the needs of mission-driven businesses. Most constituency statutes give directors the option, but not the obligation, to consider outside constituencies. Even when the majority of directors are mission-driven, the duties owed to minority shareholders could potentially disrupt long-term efforts to continue to expend resources toward the attainment of that mission (Clark and Babson, 2012).

Several authors (*e.g.*, Clark and Babson, 2012; Kanig, 2013) advocate benefit corporations as the solution to the conundrum faced by entrepreneurs, investors, and consumers who are interested in honoring social obligations. Kanig (2013) claims that the efforts of governments, nonprofits, and corporate social responsibility, while perhaps useful, are inadequate to address the market failures that are a part of the shareholder wealth maximization system of corporate governance. Kanig argues that benefit corporations provide the institutional structure to effectively create positive externalities to address public needs while earning a profit to maintain financial sustainability.

While the diffusion of benefit corporation laws throughout the individual states has been quite rapid, critics argue that the uptake in companies actually organizing as benefit corporations has been rather slow. Finrock and Talley (2014) acknowledge that in terms of absolute numbers, the uptake in benefit corporations is but a very small faction of newly-formed corporations. However, when compared to the initial adoption of the Limited Liability Corporations, the trajectory of benefit corporations compares very favorably. Since benefit corporations are quite new and there are few legal precedents involving them, some potential adopters may be waiting on the sidelines for more information to emerge.

Rawhouser *et al.*'s (2015) extensive study of the transcripts of individual testimonies related to benefit corporation legislation found that proponents of benefit corporation legislation claimed that benefit corporations would have a positive impact on broader society. Proponents also claimed that benefit corporations would create an economic stimulus, and that such legislation provided additional flexibility to companies. Political arguments for benefit corporations came from both the right and left sides of the political spectrum. Those on the right advocated benefit corporations as a path toward smaller government by shifting provision of services from the government to private organizations. Those on the left viewed benefit corporations as a means to shift societal expectations toward increased social responsibility. While the majority of those introducing benefit corporation legislation at the state level were Democrats, once introduced, the legislation typically was passed by very large margins, indicating broad bipartisan support (Rawhouser, *et al*., 2015).

Arguments against Benefit Corporations

Not all parties are advocates for benefit corporations. For example, Rawhouser *et al.*'s (2015) same study also found that some leaders of nonprofit organizations, among others, had testified against legislation creating benefit corporations. One of the apparent concerns of the nonprofits is that legislators and nonprofit donors may view benefit corporations and other hybrid entities as redundant or as substitutes for nonprofits. Indeed, their study found that an increase in the density of nonprofits in a state correlated to a significant decrease in the likelihood of the passage of benefit corporation legislation. Arguments of those opposed to benefit corporation legislation include claims that benefit corporations will decrease the legitimacy of and siphon resources from nonprofits. The

California Association of Nonprofits claimed that benefit corporations could cause donors to redirect their charitable contributions to benefit corporation investments. Opponents also cited difficulty in regulatory enforcement and potential stakeholder confusion from a new category of organization (Rawhouser, et al., 2015).

André (2015) undertook a study of legal scholars' opinions regarding benefit corporations and found both advocates and critics. André summarized the criticisms of benefit corporations into three key areas. The first disputes the assumption of shareholder primacy as a basic justification for creating the benefit corporation as a legal form. André (citing Stout, 2012) argues that the assumption of shareholder primacy is a myth. She claims that directors have broad discretion in pursuing goals other than shareholder wealth maximization. Further (citing Murray, 2012), she argues that the Dodge v. Ford case which is used to support the argument of the requirement of shareholder primacy is misinterpreted. The court ruling said that majority shareholders must respect the interests of the minority stockholders. Benefits given to workers were not a factor in the ruling. André (citing Lacovara, 2011) also points to constituency statutes in many states that allow traditional corporations to take the interests of non-shareholders into account. Finally, she (citing Chu, 2012) claims that benefit corporations reinforce a false dichotomy that benefit corporations are good while traditional corporations are something else because they are not legally empowered to do social good. André also cites Murray (2012) in attempting to refute the claim that the benefit corporation structure protects the organization mission in the event of a takeover or sale. She claims that traditional corporations, especially in a state with a constituency statute ". . . probably already enjoy adequate protection to consider stakeholder interests during the takeover." (André, 2015: 246). However, she admits that corporate law and scholarship are unclear in this regard and that the extent of protection benefit corporation status provides during a takeover "may depend on whether a state has a constituency statue and how it is interpreted and applied (André, p. 246, citing Haymore, 2011).

The second area of criticism André (2015) lists is that becoming a benefit corporation increases both company costs and director liabilities. Benefit corporation statutes add an additional fiduciary duty to directors by mandating that they consider stakeholder interests (citing Lacovara, 2011). The additional duty of producing a difficult-to-measure public benefit, combined with shareholder power to bring enforcement proceedings, increases directors' liabilities.

Andre` also argues that benefit corporation status can increase costs in at least two ways. First, because benefit corporation statutes typically require a supermajority shareholder vote to change status, benefit corporations have less flexibility during times of change. Because of lack of specific legal precedent or guidance in changing benefit corporation status, the process could be similar to changing the purpose of a nonprofit organization, where in the impracticality of carrying out the charitable mission must be proven to the court. Such procedures could prove costly and time-consuming. Andre` also enumerates the additional potential costs required of benefit corporations. These costs include appointing a benefit director and generating and disseminating the annual benefit report. Hiring a third-party evaluator is also listed as a cost, even though this is optional per most state statutes. In addition, to transaction costs, benefit corporations may incur uncertainty costs to reduce risks from the vague requirements contained in some of the benefit corporation statutes.

Finally, critics argue that benefit corporations do not empower stakeholders because statutory mechanisms to enforce accountability for creating public benefits are lacking teeth. André points out that benefit corporation statutes fail to create a fiduciary relationship between outside stakeholders and a benefit corporation's directors. Andre` (citing Blount & Offei-Danso, 2013) argues that even though benefit corporation statutes require the annual publication of a benefit report based upon a third-party standard, the only measure of accountability this report provides is the ability of shareholders to replace directors based upon an unsatisfactory report. They argue that this reporting requirement provides no more accountability than with a traditional corporation. In addition, statutes explicitly exclude non-owner stakeholders from enforcement proceedings. These statutes only allow shareholders, not stakeholders, to have legal standing to bring action against a benefit corporation for failure to produce a stated public benefit.

Further, André argues that the weak standards of accountability contained in benefit corporation statutes actually promote corporate greenwashing. Greenwashing is the public promotion of environmental [or social] initiatives to give the impression of being environmentally conscious when in reality, the organization's operations or practices are damaging to the environment. Companies may engage in greenwashing to attract environmentally conscious customers, secure partnerships with environmental organizations, or increase their share price (Investopedia, 2016). Citing Reiser (2011), André posits that the ability to select anyone's third-party standard could allow greenwashing or even outright fraud by selecting a weak third party standard with lax requirements. She (citing Munch, 2012) also argues that the lack of an independent audit may lead to greenwashing. In addition, Andre (citing Murray, 2012) explains that the lack of accountability may not only fail to prevent greenwashing and encourage faux corporate social responsibility, but may be an avenue toward it. The apparent reasoning behind this claim is that benefit corporation status may provide some legitimacy to a disingenuous benefit corporation. She also cites Kanig (2013, p. 897), who explains that benefit corporations may use creative accounting and take advantage of lax oversight to inflict non-shareholders to the "same kind of 'greenwashing' that has plagued traditional notions of corporate social responsibility."

André summarizes her arguments by claiming that benefit corporation laws fail to improve upon existing corporate structures and may actually undermine them. André's claims include the following: 1) Benefit corporation advocates provide companies with excuses to not consider a wider range of interests "by overstating the limitations placed on directorial discretion by existing law" (citing Underburg, 2012); 2) benefit corporation statutes add another layer of complexity to a system that is already complicated (citing Chu, 2012); 3) it is more beneficial to encourage strong corporate social responsibility within the existing framework than to create new hybrid entities (citing Blount and Offei-Danso, 2013); and 4) the benefit corporation is an unworkable corporate form because rational shareholders will not adopt it due to greater risk and cost, and foregone personal profit (citing Callison, 2012).

Analysis of Arguments Regarding Benefit Corporations

Numerous counter-arguments advocating the need for benefit corporations have been published. For example, Finrock and Talley (2014) state that California corporate law is very prescriptive and does not give the flexibility to permit a corporate charter to include statements of social purpose. California does not even have a constituency statute which André (2015) cites as legal protection of director discretion in decision-making. While socially-minded corporate managers can claim managerial discretion and invoke the business judgment rule to defend their decisions, Finrock and Talley (2014) argue that the protection for decisions that sacrifice shareholder welfare for social purposes or other considerations is weak. During “watershed” moments in a corporation’s existence, corporate law tends to push corporate fiduciaries toward steps to maximize short-term shareholder profits. Finally, they argue that the existing corporate structures were inadequate to provide a credible long term commitment to a social purpose. Corporations have no binding constraints to prevent them from abandoning their social mission to pursue profit maximization should market pressures or opportunities entice directors to do so. Even if André’s claim that under current legal structures, corporate directors have broad discretion to consider outside interests is taken at full face value, the fact remains that they have *no legal obligation to do so* beyond normal regulatory compliance. B Lab states:

> Constituency statutes are permissive and state that directors "may" consider non-financial interests. This also means that they may not. The objective of benefit

> corporation legislation is to give shareholders the option to choose to *require* directors to consider non-financial interests. (B Lab, 2016g)

The claim of increased costs of being a benefit corporation may have some theoretical validity. However, are these factors of practical significance? Most major corporations already have numerous executive staff who work in areas not directly related to core operations. Examples include environmental officers, diversity officers, community relations officers, and corporate social responsibilities officers. Most of the information needed to create a public benefit report is probably already being generated. The incremental cost to the organization is unlikely to be of significance. For smaller organizations, the time involved to generate an annual benefit report scales down with the size of the business. B Lab offers at no charge their third-party assessment tool which meets statutory requirements for generating an annual benefit report. The web site claims that a full assessment takes about 2 to 3 hours. In addition, B Lab claims that doing the assessment can identify opportunities for improvement and help organizations formulate a plan to implement improvements (B Lab, 2016c).

Also, André probably overstates the significance of the cost of appointing a benefit officer. In small organizations, a current officer may be appointed as the acting benefit officer. In a major corporation, the same could be done if a similar position currently exists (such as a Corporate Social Responsibility officer). If not, the addition of one headcount hardly seems like an onerous expense. The additional headcount would be likely to be needed anyway if a corporation were to pursue increased corporate social responsibility as some of the authors cited by André (*e.g.* Blount & Offei-Danso, 2013) advocate. Finally, in this age, an organization web site is essential, so posting an existing annual benefit report to the web site can hardly be considered a cost of significance.

André`s claims of increased and director liabilities and inflexibility appear to be valid. Directors do have an additional fiduciary duty to consider stakeholder interests and may face possible enforcement proceedings for failing to do so. Also, the supermajority requirement does reduce flexibility during times of change by raising the threshold required to change or abandon a stated public purpose. However, rather than an argument against benefit corporations, advocates could claim that this is an argument *in favor* of them. One of the stated objectives of benefit corporation statutes is to protect the social mission of its founders (Clark and Vranka, 2013). The ability to bring enforcement proceedings against directors who fail to give significant effort toward creating the stated benefits and the increased threshold requirements for changing the organization mission gives investors, shareholders, and employees additional assurance that the organization will not jettison its social mission at the first sign of short-term financial challenges or opportunities (B Lab, 2016h).

The core of André's argument that benefit corporations do not empower stakeholders revolves around the fact that non-shareholders lack any legal standing to seek enforcement if a benefit corporation fails to satisfactorily pursue its social mission. While only shareholders or directors can bring enforcement proceedings against a benefit corporation for failing to give adequate effort in pursuing its social mission, it does not mean that other stakeholders have no leverage in holding a benefit corporation accountable for its results. Kanig (2013) explains how the requirement for issuing an annual benefit report serves as a procedural enforcement mechanism. Kanig compares this mechanism to the National Environmental Protection Act (NEPA). The NEPA requires federal agencies to create an Environmental Impact Statement (EIS) for every major federal action that could significantly affect the quality of the human environment. NEPA does not have mechanisms to force actions beyond the requirement of filing the Environmental Impact Statement. Such filings may seem like a weak enforcement mechanism; but, nonetheless, the NEPA has had a significant impact on mitigating environmental harm (Kanig, citing Farber et al., 2010). As a procedural enforcement mechanism of NEPA, the effect of the Environmental Impact Statement is to increase actors' knowledge in the context of environmental impact and may cause the firm to alter its actions. The Environmental Impact Statement may also provide litigation leverage for affected parties. Finally, the Environmental Impact Statement increases public knowledge and has the potential to increase organized responses to the proposed actions (Kanig, 2013, p. 900). Kanig argues that the procedural requirement to create a public benefit report based upon a third-party standard and to make it publicly available creates effects on benefit corporations similar to those that NEPA has on federal actors.

Kanig (2013) also argues that benefit corporation legislation protects the social mission of a benefit corporation beyond the protection afforded to a conventional corporation. A conventional corporate structure gives directors significant latitude in making decisions based upon business judgment. If directors claimed that their business judgment precluded them from pursuing a social mission during a given time period, enforcement proceeding brought against them are unlikely to gain legal traction.

However, with the benefit corporation structure, directors have a stated obligation to pursue the public benefits declared in the organization charter. If directors cannot show solid evidence of consideration of non-shareholder interests, shareholders or minority directors pursuing enforcement proceedings would have grounds to force an injunction. This litigation strategy can be the basis of a highly effective deterrent against the board of directors neglecting the stated social purpose of a benefit corporation.

Kanig (2013) offers a response to two anticipated criticisms of this procedural litigation strategy. First, critics may contend that rigorous use of benefit enforcement proceedings would be destructive to benefit corporations. Second, critics may also argue that "… benefit corporation shareholders have little incentive to undermine their own equity investment by litigating against the benefit corporation." (Kanig, p. 901). Kanig addresses the first criticism by stating that there are at least four checks against this concern. First, the number of potential litigants is severely restricted because the statutes do not give third parties legal standing in benefit enforcement proceedings. Second, trivial litigation would be filtered out at the pleading stage because the "… director immunity provisions of the benefit corporation limit all actions, substantive or procedural, to review of "material" corporate decisions" (Kanig, p. 902). Third, the plaintiffs are required in a civil pleading to back up their complaint with factual evidence of the non-consideration of non-shareholder interests. Fourth, because shareholders and minority directors are the only parties with legal standing, the interests of both plaintiffs and defendants are aligned. However, this fourth point does not mean that a shareholder or director would be unwilling to bring enforcement proceedings against a benefit corporation if the benefit corporation shirks its duty to attempt to produce its stated public benefit. Kanig posits that since benefit incorporation is voluntary, benefit corporations will attract investors who are believers in the concepts of producing public benefits as espoused by benefit corporation legislation. It is likely that at least one shareholder would be willing to initiate enforcement proceedings, if needed, to protect the long-term social component of their investment. In summary, the third-party benefit report and the transparency its required publication brings alone may not be sufficient to assure that a benefit corporation will give sufficient effort to producing its stated public benefits. However, Kanig asserts that when combined with his proposed litigation strategy, the reporting requirement creates a formidable deterrent against directors who might be inclined to shirk their duties in this regard.

Finally, in response to Andre's (2015) claim that establishing benefit corporations will likely increase greenwashing, Kanig (2013), on whose work Andre bases this assertion, indicates that the likelihood of such an impact on greenwashing is low and can be mitigated.

Shiller (2013) references recent polls that show falling support for capitalism around that world. He posits that this falling support is a result of anger stemming from a belief that fundamental flaws in the financial system and the people who composed it were largely responsible for the recent devastating financial crisis. He argues that ongoing financial innovation is needed to keep up with our changing understanding of human behavior. Shiller names the emergence of benefit corporations as one of the recent financial innovations that has the potential to have a positive lasting impact on society.

He argues that people are beginning to doubt the corporate tradition of profit maximization that has been that the dominant way of thinking for over a half-century. He states, “People like to think of their employers, and investors like to think of their investments, in terms of adhering to some principles and purpose other than profit.” (Shiller, p. 22). Benefit corporations potentially provide a mean to facilitate this pursuit.

Summary of Legal Arguments Regarding Benefit Corporations

In summary, while benefit corporations have their supporters and detractors, the rapid diffusion of benefit corporation statutes passed by state legislatures seems to indicate that the momentum is clearly behind their growth for the time being. Kingdon’s (2010) “Multiple Streams” framework may provide insight on the rapid diffusion of benefit corporation statutes. Kingdon posits that issues gain traction in the political arena only when three independent streams converge. The “problem stream” is a condition perceived as a problem by policymakers; the “policy stream” represents various solutions to the problem; the “politics stream” consists of political conditions such as public mood, interest group politics, or political turnover that create conditions for change. In applying this framework to benefit corporations, the “problem stream” could be viewed as the need for more socially-conscious businesses (from the left side of the political spectrum) or for less government and more private provision of social services (from the right side). The “policy stream” consists of statutes for benefit corporations or similar structures. The “politics” stream is public mistrust of profit-maximizing capitalism and constituents’ desire to see corporations contribute more social good. It is a bit early to definitively state whether this momentum will translate into sustainable significantly increased public benefits. One of the purposes of this article is to make a preliminary assessment of the degree to which benefit corporations are contributing to the public good, particularly in the area of economic development.

Major Concepts in Framing Benefit Corporations

Benefit corporations as social enterprises

Benefit corporations are required by law to create a "general public benefit". However, does this requirement mean that all benefit corporations should be categorized as social enterprises? For the purposes of this discussion, we start with a broad definition of social enterprises as "organizations which are businesses with social objectives" (Haugh & Kitson, 2007, p. 975). Benefit corporations have been discussed in the contexts of both corporation social responsibility and social entrepreneurship (Hiller 2013; Sabeti, 2011). This question is difficult to answer definitely because no general consensus definition exists for either corporate social responsibility (McWilliams, Siegel & Wright, 2006) or social entrepreneurship (Short, Moss & Lumpkin, 2009). Some authors have suggested the both social entrepreneurship and corporate social responsibility exists along a continuum rather than as a single definition (*e.g.*, Austin, Stevenson & Wei-Skillern, 2006; Chapter 2). While an in-depth discussion of the definitions of corporate social responsibility and social entrepreneurship are beyond the scope of this chapter, the literature indicates that benefit corporations fall within the realm of both.

Both corporate social responsibility and social entrepreneurship contain some notion of social value creation or social mission. Wan-Jan (2006, citing Hopkins, 2003) defines corporate social responsibility as "treating the stakeholders of the firm ethically or in a responsible manner" (Wan-Jan, p. 183). The use of the term "stakeholder" in this and other articles implies the creation of value for parties beyond those with direct financial interests in the organization (*i.e.*, shareholders). Hiller (2013, p. 287) states that a benefit corporation is a ". . . for-profit, socially obligated, corporate form of business, with all of the traditional corporate characteristics, but with required social responsibilities." Hiller also places the benefit corporation within the context of corporate social responsibility.

Other authors indicate that benefit corporations are a suitable organizational structure for use by social entrepreneurs. Sabeti (2011) discusses a category of organizations which he calls "for-benefit enterprises". Sabeti describes these enterprises as generating earned income, but giving top priority to achieving a specific social mission. This description falls within the realm of many definitions of social entrepreneurship (Austin *et al*., 2006). Sabeti includes benefit corporations in his discussion of suitable legal structures for socially-minded entrepreneurs to consider when formally creating a legal entity to pursue their social missions.

Another way to distinguish between benefit corporations used in the context of corporate social responsibility or social entrepreneurship is to consider whether benefit corporations are formed from existing corporations or startups. Conversion of an existing corporation to a benefit corporation may indicate a desire to codify the organization's corporate social responsibility. Patagonia (Patagonia, n.d.) is a well-known example of a major corporation which converted to a benefit corporation when that legal form became available in its home state. While Patagonia is a for-profit producer of consumer apparel, it seeks to conduct business in a socially responsible manner. Patagonia's owner indicated that he viewed the benefit corporation legal framework as a vehicle to ensure that the company continues to ". . . stay mission-driven through succession, capital raises and even changes in ownership by institutionalizing the values, culture, processes, and high standards put in place by founding entrepreneurs" (Hiller, 2013, p. 298; citing Lifsher, 2012). Benefit corporation filings are a mixture of both conversions and startups. However, there is some indication that the rate of benefit corporation startups has outpaced the rate of benefit corporation conversions (Finrock & Talley, 2014). The data we obtained on benefit corporations from the State of California (California Secretary of State, 2015a) certainly supports this notion (Appendix C, Appendix D).

Another possible distinction is the corporate form of benefit corporations. Organizing as an S or C corporation may indicate a focus on corporate social responsibility while selecting LLC status may indicate more leanings toward social entrepreneurship. However, when using a multi-dimensional continuum framework for defining social entrepreneurship as proposed in Chapter 2 of this dissertation, the distinction between social entrepreneurship and corporate social responsibility becomes less important. Nevertheless, by most authors' conceptual view of social entrepreneurship or corporate social responsibility, both can fit with the organizational framework of a benefit corporation. Conversely, since corporate social responsibility and social entrepreneurship were both taking place before the initial passage of benefit corporation statutes, a benefit corporation structure is not a necessary condition for the occurrence of either corporate social responsibility or social entrepreneurship. Regardless of one's preferred definition of corporate social responsibility or social entrepreneurship, it is not unreasonable to assert that a benefit corporation that is attempting to fulfill its duties to stakeholders is engaged in social entrepreneurship, corporate social responsibility, or some combination thereof. In other words, at least some of the benefit corporations currently in operation would be considered by most observers to be social enterprises. If there were a key differentiating factor between a corporate social responsibility-aligned benefit corporation and a social entrepreneurship-aligned benefit corporation, it probably would be the primacy of the social mission.

Defining economic development

As mentioned in previous sections, one key justification for passage of benefit corporation legislation is that benefit corporations will have a positive impact on economic development (Hill, 2013; B Lab, 2016f; Rawhouser *et al*., 2015). All successful businesses create economic activity and contribute to economic growth when they start up or expand. However, many economists (*e.g.*, Sen, 1999) make a distinction between economic growth and economic development. Economic growth is simply an increase in output or Real GDP.

Economic development[3] can be seen as a normative concept concerned with improving the quality of life in a country or region. The concept of increasing individual utility as a means of improving quality of life has been prevalent in economic thinking. However, Karlan and Morduch (2014, p. 985) state that, "While the utility approach serves us well when thinking about how *individuals* make decisions, it may not guide us toward the best decisions for *society*". The capabilities approach originally developed by Sen (1999) posits that development is tied to increasing the capabilities of individuals. Capabilities are things that a person is able to do or be, such as having good health, education, adequate food and shelter, and a voice in the decision processes of the community or nation in which one lives.

Karlan and Morduch (2014) suggest that economic development policies can be viewed in two ways. First, policies should help put in place the conditions for economic growth. Second, policies should help translate economic growth into increased capabilities for the people in a society. Karlan and Morduch explain that increasing human capital plays an important role in economic development. They define human capital as "the set of skills, knowledge, experience, and talent that determine the productivity of workers" (Karlan & Morduch, p. G4). Increasing worker can increase both GDP and individual standard of living. Actual increases in standard of living of workers will depend on the distribution of the productivity gains to labor versus capital.

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[3] As discussed in Chapter 1, Schumpeter's (1950) view of economic development focuses on innovation which drives the process of "creative destruction". However, this process brings about new and better methods of production which have the potential to improve the quality of life. Therefore, while the focus may be different, Schumpeter's view of economic development is not incompatible with the view of Sen or others who view economic development primarily as increasing human potential or improving the quality of life.

However, increased productivity is a starting point. In addition to increasing human capital, Woolcock (1998) and Leadbeater (1997), among others, posit that social capital also plays a key role in economic development. Leadbeater describes social capital as “the network of relationships that underpins economic partnerships and alliances.” Further, he states, “These networks depend on a culture of cooperation, fostered by shared values and trust.” (Leadbeater, p. 24).

This paper seeks to increase the understanding of role and the impact benefit corporations on economic development. If, as described in the previous paragraph, human capital and social capital are key factors in economic development, then understanding the role and impact of benefit corporations in increasing human and social capital should help achieve this purpose. Probably because benefit corporation legislation is a recent development, the extant literature on benefit corporations and economic development is scant and has been focused on economic development as a key justification for passing benefit corporation legislation. However, there is little research regarding the actual impact of economic development due to benefit corporations. A few examples mentioned in the literature discuss benefit corporations that clearly are engaged in social entrepreneurship and have a positive impact on economic development. This study examines the operations of existing benefit corporations to find additional examples.

Greyston Bakery is one such example. Greyston Bakery was originally founded as a for-profit company in 1982, and became the first benefit corporation in the State of New York in 2012 (Wilburn and Wilburn, 2014). Greyston Bakery provides training and jobs to people, such as ex-convicts and immigrants, who often face difficulty joining the mainstream workforce. Its mission is articulated in its slogan, “We don’t hire people to bake brownies; we bake brownies to hire people” (Greyston Bakery, 2015a). Greyston has an open hiring policy: Anyone, regardless or background, who wants a job can sign up to work and when an opening comes up, the next person on the list is hired (Greyston Bakery, 2015b). In addition, Greyston has a workforce development program that provides training and tools to help people develop the skills to gain employment in fields that are in demand and offer living wages. The organization operates in a disadvantaged area of Yonkers. Even though it is for profit, Greyston Bakery contributes all of its profits to the nonprofit Greyston Foundation that owns Greyston Bakery. The profits help provide services such as low-income housing, childcare and education. The first line of the Foundation’s mission statement is, “Greyston is a force for personal transformation and community economic renewal” (Greyston Bakery, 2015c). Among its economic impacts in 2013, Greyston Bakery reported $1,188,620 in wages paid to open hire employees, and an estimated $3,125,388 in savings to government by providing affordable housing to vulnerable populations. In addition, Greyston reported provision of services that improve quality of life, such as health services and community gardens (Greyston Social Enterprise, 2013). Greyston’s focus on helping disadvantage individuals become self-sufficient involves the creation of both human and social capital. The most obvious example of Greyston’s human capital creation is the job training they provide. However, health services and other quality-of-life improvements would also likely increase the potential and productivity of Greyston’s workers. Examples of social capital creation include community gardens and housing development programs, which are designed not only to provide food and housing, but to create and strengthen relationships and a sense of community.

While GDP or GDP per capita have long been used as key measures of economic development, there is a growing chorus of critics which claim that these measures are at best, woefully inadequate, and when overemphasized can even be driving forces behind policies that are counterproductive to economic development. Nussbaum (2011) claims that gains in GDP are poorly correlated with improvements in important aspects of the quality of life. She lists a litany of flaws with the GDP approach to measuring economic development, including a disregard for the distribution of GDP growth, lack of attention to political freedom, and a misguided attempt to aggregate multiple important dimensions of quality of life into a single monetary measure.

The United Nations Human Development Index (HDI) is an attempt to highlight other important aspects of the quality of life. The HDI was developed by Mahbub Ul Haq and was strongly influenced by Amartya Sen's work on human capabilities (United Nations Development Programme, n.d.). Sen (1999) describes capabilities as the ability to be or do desirable things that make living life worthwhile. Further, he states that poverty can be framed as the deprivation of capabilities. Capabilities go beyond just income. The HDI is calculated using a formula that contains measures of life expectancy, educational attainment, and gross national income per capita. While Nussbaum (2011) criticizes the use of a single measure for economic development, she recognizes Ul Haq as a pragmatist who believed that some countries would not support the development of a metric that did not contain a single composite measure, and that the acceptance of the HDI would give additional insights into economic development beyond GDP. The United Nations Development Programme itself recognizes that the HDI "simplifies and captures only part of what human development entails. It does not reflect on inequalities, poverty, human security, empowerment, etc." (United Nations Development Programme, 2015). The United Nations have developed other composite indices, such as the Gender Inequality Index (GII), to attempt to highlight some of these other issues.

Building further upon Sen's work, Nussbaum (2011) has developed and refined a set of central or core capabilities that seek to define basic human rights and needs and serve as a more comprehensive measure of development. Nussbaum argues that while a comprehensive list of capabilities would be long, and not all capabilities are of equal importance, the "Ten Central Capabilities" she has defined are critically important to all human beings. These Central Capabilities can serve as a starting point for a discussion on human development. Nussbaum's Central Capabilities are as follows:

1. Life. Being able to live to the end of a human life of normal length; not dying prematurely, or before one's life is so reduced as to be not worth living.

2. Health. Being able to have good health, including reproductive health; to be adequately nourished; to have adequate shelter.

3. Bodily integrity. Being able to move freely from place to place; to be secure against violent assault, including sexual assault and domestic tic violence; having opportunities for sexual satisfaction and for choice in matters of reproduction.

4. Senses, imagination, and thought. Being able to use the senses, to imagine, think, and reason-and to do these things in a "truly human" way, a way informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training. Being able to use imagination and thought in connection with experiencing and producing works and events of one's own choice, religious, literary, musical, and so forth. Being able to use one's mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech, and freedom of religious exercise. Being able to have pleasurable experiences and to avoid nonbeneficial pain.

5. Emotions. Being able to have attachments to things and people outside side ourselves; to love those who love and care for us, to grieve at their absence; in general, to love, to grieve, to experience longing, gratitude, and justified anger. Not having one's emotional development blighted by fear and anxiety. (Supporting this capability means supporting forms of human association that can be shown to be crucial in their development.)

6. Practical reason. Being able to form a conception of the good and to engage in critical reflection about the planning of one's life. (This entails protection for the liberty of conscience and religious observance.)

7. Affiliation. (A) Being able to live with and toward others, to recognize and show concern for other human beings, to engage in various forms of social interaction; to be able to imagine the situation of another. (Protecting this

capability means protecting institutions that constitute and nourish such forms of affiliation, and also protecting the freedom of assembly and political speech.) (B) Having the social bases of self-respect and nonhumiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails provisions of nondiscrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, national origin.

8. Other species. Being able to live with concern for and in relation to animals, plants, and the world of nature.

9. Play. Being able to laugh, to play, to enjoy recreational activities.

10. Control over one's environment. (A) Political. Being able to participate effectively in political choices that govern one's life; having the right of political participation, protections of free speech and association. (B) Material. Being able to hold property (both land and movable goods), and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human being, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers. (Nussbaum, 2011, Locations 376-395)

Some of these capabilities are directly related to physical well-being. However, most are more focused on personal liberties, rights, and emotional well-being. Sen's (1999) concept of development involving increased freedom is clearly demonstrated in

Nussbaum's list of capabilities. Traditional concepts of economic development such as job creation and increased GDP are not directly listed as Central Capabilities. Nevertheless, jobs and increased income could be viewed as having instrumental value in creating, increasing, or facilitating at least some of the Central Capabilities such as having adequate nourishment and shelter, engaging in recreational activities, or holding property.

Unless they are completely absent, most capabilities exist on a continuum within each individual. Nussbaum does not attempt to quantify the necessary level of each Central Capability, but does argue that they can be measured and that it is the work of the political structure in a society to define the minimum acceptable level of each capability. We briefly examine the extent to which benefit corporations facilitate these capabilities, particularly in groups or individuals where the market provision of these capabilities is lacking.

The specific public benefits listed in the model benefit corporation legislation could all be viewed as directly providing or enhancing one or more the Central Capabilities, or as having instrumental value in enabling individuals to increase their level of one or more of these capabilities. For example, "improving human health" directly increases Central Capability #2, "Health". "Providing low-income or underserved individuals or communities with beneficial products or services", depending on the particular product or service, may contribute directly to enhancing a Central Capability or it may provide instrumental value in attaining a capability. For example, training on hygiene may directly impact an individual's health, whereas job training may

Table 4.1: Capabilities provided or facilitated by specific public benefits

Public Benefit Provided (B Lab, 2014)	**Capability Created or Facilitated (Nussbaum, 2011)**
A- providing low-income or underserved individuals or communities with beneficial products or services;	Life; health; play; others
B- promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business	(Facilitation of most); control over one's environment
C- protecting or restoring the environment	Health; other species
D- improving human health	Health
E- promoting the arts, sciences, or advancement of knowledge	Senses, imagination, and thought; practical reason
F- increasing the flow of capital to entities with a purpose to benefit society or the environment	(Facilitation of most)
G- conferring any other particular benefit for society or the environment	(Any as specified)

enhance one's ability to provide nutritious food for oneself and one's family. Table 4.1 maps the specific public benefits in the model legislation to the main capabilities which they create, enhance, or facilitate.

In this paper, we examine public benefits provided by benefit corporations both in the more traditional sense of economic development (Public Benefit B and to some extent Public Benefit A above) and in the broader sense of creating capabilities (all of the listed public benefits).

Relevant Concepts of Economic Theory

Within the body of literature on social entrepreneurship, market failure and government failure are cited as creating an opportunity space for social enterprises (*e.g.*, Mikami, 2014). In the smaller body of literature on benefit corporations, Kanig (2013) claims that such corporations are an effective remedy for market failures because as benefit corporations gain traction, they will supply more public goods which are undersupplied by traditional firms focus on profit maximization. Further, Kanig argues that the internal approach of creating a legal structure where the consideration of non-shareholder interests is not only an unquestioned right, but an obligation, is a more effective remedy to market failures rather than the external approach of interventions through governments or nonprofit organizations. Market failure occurs when the market fails to provide the socially optimal quantity of a good or service for a current distribution of income. Similarly, government failure occurs when publicly-provided resources are not allocated in such a way as to maximize public welfare. In addition to political causes, inefficient regulation and intervention, chronic budget deficits, and bureaucratic inefficiency are often cited as causes of government failure. Public goods and externalities are frequently-cited causes of market failure (*e.g.*, McConnell, Brue & Flynn, 2015).

If we examine the "specific public benefits" listed in the model benefit corporation legislation (as shown in Table 4.1), some and arguably all of the items address market failures. For example, in the first listed benefit, "*providing low-income or underserved individuals or communities with beneficial products or services",* the use of the word "underserved" implies a demand that is not fully met by market forces. It also implies a value judgment. Some in society may have an unmet demand for a large house, a new luxury car, or even a private jet, but must forgo these items because of financial constraints. Few in society would be overly concerned with this "unmet demand" and most would not consider these examples to be market failures because no significant benefits would accrue to anyone other than the producers and consumers of these goods. However, if the unmet demand involves items or capabilities generally viewed as basic rights or necessities, then the absence of a market to fulfill these needs will be by many viewed as a market failure. For example, the inability of a child to obtain basic healthcare could be viewed as a market failure because the poor health of one can have a negative impact on the overall public health (a negative externality). Conversely, because of interconnected utility functions among members of society, a healthy child is more likely to become a contributing member of society, which would raise the quality of the overall social environment (a positive externality). Poor health from easily-preventable causes certainly represents a loss of human capital and an impediment to economic development.

One of the selling points put forth by proponents of benefit corporation legislation is that financial cost to the public is negligible, and may even provide financial savings when compared to the traditional publicly-funded solutions to market failures (Kanig, 2013). If opportunity costs of government provision of services are taken into account, the services provided by benefit corporations could provide even greater cost savings to the public. Some authors (*e.g.*, Korosec and Berman, 2006, Choi and Majumdar, 2014) have called for greater public support of social enterprises in general. This argument could easily be extended to include support for benefit corporations. One common argument for public support or provision of a particular service is when that particular service is classified as a public good. The basis of this argument is that the market tends to underprovide public goods which results in socially inefficient outcomes. In other words, public support for provision of these goods results in a net welfare gain to society.

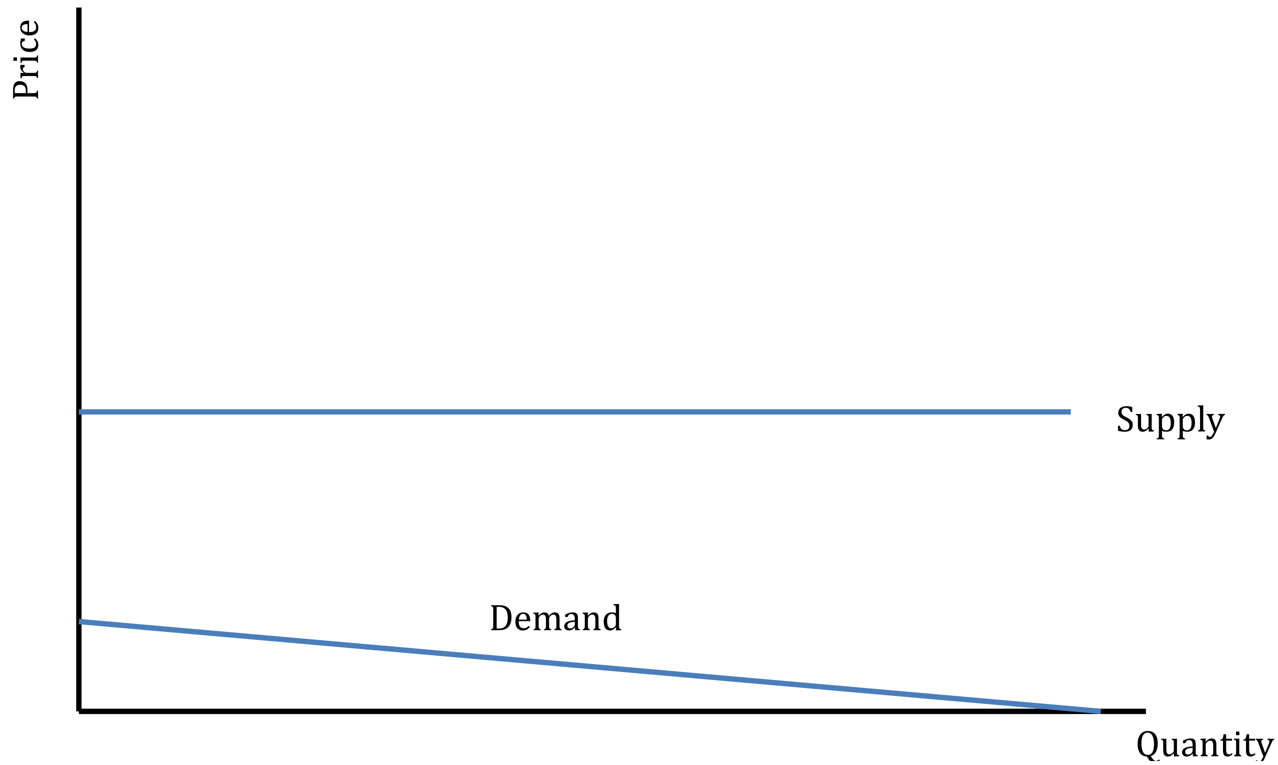
The legal definition of "public benefits" as defined by the model legislation and state statutes should not be confused with the economic definition of public goods. In his seminal article on public goods, Samuelson (1954) defines a public good as having two qualities that have come to be termed non-rivalry and non-excludability. In other words, for a service to be defined as a public good, there must be no efficient means of excluding anyone from consuming it, and the consumption of it by one individual must not in any way effect the ability or quality of another's ability to consume it. In economic terms, the marginal cost of serving an additional consumer must equal zero, and there is no competition in consumption. Goldin (1977) argues that very few services fit the definition of a pure public good. However, as discussed next, many goods could be considered to be quasi-public public goods, which have low excludability and/or rivalry.

Services provided by benefit corporations (or other socially-conscious enterprises) generally do not fit the definition of pure public goods. Other than perhaps the indirect effects of a cleaner environment, we did not see a single example in the literature of a service provided by a benefit corporation where the marginal cost is equal to zero. Also, many social enterprises serve a target population, so they are inherently exclusionary. Even those who by organizational policy do not exclude anyone could do so if circumstances, such as resource limitations, so dictated. Clearly, most services provided by benefit corporations or other socially-oriented enterprises do not fit the definition of a pure public good. Goldin also discusses services which produce multiple outputs, such as education. Part of the outputs may create public goods, so the service could be classified as a quasi-public or impure public good (Goldin, 1977). Some services provided by benefit corporations could fit this category.

Another way of framing the discussion is to view the public good dimension of the output as a positive externality. Creation of positive externalities is another point that could be used to justify public support of benefit corporations. As discussed, externalities refer to a cost or benefit that is external to the parties involved in the transaction. In the case of positive externalities, benefits accrue to others who did not pay for them, so the social benefits exceed the economic cost. In this case, the amount of the service produced will theoretically be below the social optimum without some public support such as a subsidy.

Arrow (1969) posits that externalities are a special case of the failure of a market to exist. A simple depiction of a supply and demand curve illustrates this concept. Consider the case for addiction recovery services for homeless people. Since this group of people has little or no income, in the absence of third-party intervention, the demand and supply curves do not intersect in a purely private market (*i.e.*, ignoring externalities) (Figure 4.1). No individual in this market segment has enough income to pay the lowest offering price on the supply curve. Therefore, no market transactions will take place. For the supply and demand curves to intersect (causing a market transaction to occur), some non-market force must cause a shift in at least one of the curves. For example, a subsidy

Figure 4.1 – "Market" for Addiction Recovery Services for Low-income Persons



to suppliers would effectively shift the supply curve downward to a point where some quantity of services would be provided.

The lack of markets of some services may not be of much concern, especially for goods or services that are not instrumental in providing one of Nussbaum's Central Capabilities. However, the lack of markets for other services may be a drain on society and an impediment to economic development. For example, in many developing countries, the inability of most people to afford an education or job training prevents the development of the level of human capital needed to help transform the economy to a level where it can lift its average citizen out of poverty. This example could also be considered a case of government failure because governments are unable or unwilling to provide these services that would facilitate economic development. Market and government failures not only have opportunity costs, but can have completely explicit costs as well. Depending on the nature of the failure, costs could include increased crime and decreased public health, which could end up causing future increases in both private and public expenditures to mitigate these issues.

Benefit corporations may shift the supply curve downward by taking economic losses to provide the service, or they may shift the demand curve upward by subsidizing demand via donations of profits from commercial activities. All Across Africa (All Across Africa, 2015) is an example of a benefit corporation that works to create markets for products from impoverished rural areas in Africa to create jobs. It also partners with nonprofit organizations to provide education to the people of this area to enhance their lives in aspects beyond income generation.

Many services provided either directly by benefit corporations or indirectly through the charitable activities or contributions of benefit corporations could be classified as services which create positive externalities. Greyston Bakery not only provides jobs to individuals who would be considered unemployable by many in the mainstream economy, but also creates human capital through job training and social capital through its community programs. In addition, it creates a positive externality by reducing or eliminating the need for public assistance to many of its employees. In a sense, Greyston Bakery could be considered to be eliminating a market failure by creating a demand for workers whom the mainstream economy considers too risky to employ. As discussed, human capital is a necessary ingredient for economic development. Increased wages of individuals within a community will also likely have a multiplier effect that will benefit the local economy. Also, some of the contributions to the community provided through the business practices of benefit corporations like Greyson Bakery can be effective in increasing social capital, which can positively impact the development of the entire community. In summary, a case can be made justifying public support of benefit corporations because they create positive externalities.

Unlike accounting profits, which only consider explicit costs, economic profits are the net returns to those who provide resources after both explicit and implicit costs have been deducted from the gross returns. Neoclassical economic theory posits that in a purely competitive industry or market, long-run economic profits are zero because if such profits are positive, firms will enter that market and drive economic profits to zero. However, to remain viable, a firm must earn at least some accounting profits. The theory also posits that firms will exit the market if they do not earn normal profits, which compensate for the opportunity costs of the time and capital of the owners. If benefit corporations are able to provide public benefits (*i.e.*, positive externalities), there are several potential explanations for their ability to do so. In general, private producers will produce to the point where marginal private benefit equals marginal private cost. One possibility is that benefit corporations also produce to this point, but creation of the public benefits does not incur additional costs.

However, if additional costs are incurred in the provision of the public benefits, other possible explanations are: 1) benefit corporations are operating in non-competitive markets, or at least in markets that are not purely competitive; 2) the owners (or suppliers) of the benefit corporation are willing to incur economic losses to provide a public benefit, presumably because they gain utility through their provision. In other words, the owners are willing to forgo some or all of their “normal” profits to provide public benefits; 3) customers of benefit corporations are willing to pay above market prices for their goods and services to provide a public benefit; or 4) some combination of these factors. If the first case is strictly true, owners would forgo some or all of their excess profits to provide a public benefit, but could still earn normal economic profits. If the second case is strictly true, the owners would have to balance financial sustainability with their economic losses because if the economic loss grows to become a financial loss, the entity might cease to be viable. One could hypothesize that this balancing act makes a benefit corporation more vulnerable to failure.

Research Method and Hypothesis

Using the concepts discussed in the previous section, one possible hypothesis is that benefit corporations are more prone to failure than conventional corporations. One argument supporting this hypothesis is the possible difficulty of paying the extra costs associated with provision of the public benefit and costs of compliance with benefits corporation laws (Andre’, 2015). Another argument is that benefit corporations are less attractive to investment capital because they may incur economic losses in their quest to produce public benefits.

Arguments in favor of benefit corporations being less prone to failure include greater customer loyalty (including the willingness to pay above market prices), greater loyalty of suppliers, and higher productivity of workers (because they are working for a cause, not just a paycheck). Also, since many benefit corporations pay above market wages (Honeyman, 2014), they could attract higher-performing employees who are less prone to turnover.

We currently do not have sufficient data to speculate which arguments are dominant. However, for the sake of guiding further study, we hypothesize that the factors that could make benefit corporations more prone to failure are equally offset by the factors that could make them more prone to succeed. Thus, our null hypothesis is that benefit corporations fail at the same rate as conventional corporations. For the study of benefit corporations' impact on economic development, we did not have a pre-conceived hypothesis, rather we employed a "grounded theory" type approach to see where observations might lead to insights, with the focus on if and how benefit corporations are engaged in economic development.

This study utilized data from business entities in California who registered for benefit corporation status in 2012 and 2013. The reason for the focus on California during this time period is twofold: First, California as the most populous state should have a relatively large number of organizational filings; Second, the benefit corporation statute in California became effective January 1, 2012, so there should be a pool of benefit corporations organized in 2012 or 2013, which according to the statute, should have produced at least one annual public benefit report by this time of this study.

The California Secretary of State web that lists corporation information did not have the capabilities to extract a listing of benefit corporations. However, the California

Secretary of State legal office responded to our request and provided a spreadsheet containing information on the benefit corporations organized in California. The information provided included the entity name, entity number, date of filing, filing type, and entity type. Entity type designated whether the organization was a benefit corporation or a flexible purpose corporation (another legal form of organization available in California). Filing type indicates whether the filing is a new filing (“articles”), or whether the organization filed amendments to its charter (“amendment”) or filed a completely new charter (“restatement”) to change the organization status to a benefit corporation. The legal office cautioned that the spreadsheet was a manually generated list, so it is possible that omissions exist (California Secretary of State Legal Office, 2015).

The information provided was used to search the California Secretary of State web site by entity number to obtain the status of each benefit corporation listed as filing in 2012 or 2013 (California Secretary of State, 2016). Filings for years after 2013 were not used because the organization may not have been in existence long enough to be required to generate an annual benefit report. The status of each entity was recorded. Only those entities listed with a status as “active” were searched further because any other status indicates that they are not currently authorized to operate in California.

The benefit corporation name along with the additional information (address and registered agent name) listed in the Secretary of State web site was used to search the entities on the Internet as the organization web site is not provided in the Secretary of State listing. Search engines Google and DuckDuckGo were used to locate the web sites. In addition, B Lab has a listing of benefit corporations that can be searched by name or state (B Lab, 2016i). The B Lab listing contains the benefit corporations that are "Certified B Corporations", but lists only a few of those benefit corporations who are not certified by B Lab. If a benefit corporation web site could be found using any of these search tools, the web address was recorded. No further research was done on those entities without a web site, because it was believed that lack of a web site indicated a high probability that the entity was not fully operational or very small. A few of the entities had two filings during a single year. Data and summary statistics from these entities were recorded only once.

According to the California statute, benefit corporations must post their most recent benefit reports on their web sites. Those who do not have web sites are required to provide a copy to whoever requests one (California AB No. 361, 2011). A few of the web sites posted their annual benefit report in a readily available place. If not obvious, the web site search function was used to look for the benefit report. When no report could be found, a brief message requesting a copy of the report was sent using the "contact us" information when this was provided.

Once the reports were gathered, the stated public benefits for each organization were categorized and other key information was recorded. This additional information included the third-party standard used for assessing the organization's public benefit and the visibility of the benefit corporation status on the organization's web site. Also, the main output of the organization is listed. For the Certified B Corporations, the Benefit Impact Report scores were also recorded. In some cases, where a separate report was unavailable, the information from the Benefit Impact Report was used to fill in missing information.

The B Lab Benefit Impact Report is broken into five main categories: Environment, Workers, Customers, Community, and Governance. The Environment category evaluates a company's environmental performance both in terms of their processes and their products and services. The Workers category is used to assess a company's relationship with its workforce, including compensation, training, and the overall work culture and environment. The Customers category is used to measure the impact of the company on its customers particularly in the areas listed in the specific public benefits in the model legislation. It also assesses to what extent the products or services serve underserved groups. The Community category is used to assess how the company's practices and policies affect the community, and includes items such as supply chain practices, community service and charitable giving, diversity, and job creation. The Governance category is used to evaluate accountability and transparency, including stakeholder engagement and the degree of transparency of the company's policies and practices. All assessments include these five categories. However, the specific assessments vary somewhat depending on the nature of the company. For example, a manufacturing company would be assessed somewhat differently than a retail company because manufacturing processes have the potential to create environmental impacts that would not be relevant to a retailer's business processes (Honeyman, 2014).

The public benefits as stated in the annual benefit report or B Lab Impact Report were categorized into the seven specific public benefits (Table 4.1) listed in the benefit corporation model legislation which the California statute closely emulates. Further, the stated public benefits were sub-categorized by whether they provided a direct public benefit or an indirect public benefit. A direct public benefit is defined as a public benefit produced directly by a major output (product or service) of the organization. It is tied to the primary mission or purpose of the organization. An indirect public benefit is defined as a public benefit that is created because of the way in which the business is conducted. In general, an indirect public benefit is a by-product of the processes used by the organization or a secondary purpose of the organization.

Some gray areas exist in these definitions of direct benefits and indirect benefits. For example, two organizations may sell a product that was produced by a marginalized group. However, the public benefit that ensued would be considered a direct benefit if the primary purpose of the organization's existence is to provide economic opportunities to the marginalized group. On the other hand, if the organization attempted to source from the marginalized group as part of a socially-responsible supply chain policy, the resulting public benefit would be considered an indirect benefit. See Table 4.3 in the results section for details.

Additionally, where possible, it was noted if the reported public benefits were regional or occurred elsewhere. Also recorded was whether the primary economic impact (in the more traditional sense) was direct or indirect. For this category of direct versus indirect impact, direct impact is defined as having a material impact on job or infrastructure creation or improving the standard of living directly. The direct impact subcategory includes channeling financial capital directly toward these purposes. Indirect impact is defined as promoting the creation of human capital or social capital. This indirect impact subcategory includes charitable donations and improvements to the environment. Finally, in addition to the category summary scores (if available), scores from two key sub-categories of the B Lab Benefit Impact Report were recorded. These sub-categories are “serving those in need” from the “customers” category and “job creation” from the “community” category. See Appendix F for details. These two sub-categories seem particularly pertinent to economic development. For this research, the claims stated by each benefit corporation were taken at face value. In other words, no effort was made to use third-party sources to verify the claims. For the Certified B Corporations, B Lab certification may provide some third-party validation of the company’s claims.

Finally, to test the hypothesis that B Corporation failure rates are no different than traditional corporation failure rates, a two sets of random samples of traditional corporations with filings in 2012 and 2013 were selected using a random number generator (Random.org, 2016) to generate random entity numbers between the first and last entity numbers listed for Benefit Corporations filing in 2012 and for 2013. Sampling stopped when 90 valid samples for 2012 and 50 valid samples from 2013 were recorded. The number of samples approximated the number of cases in the Benefit Corporation dataset for each year studied (88 for 2012 and 48 for 2013). A corporation was counted as a “success” if the status was listed “active”. Any other status indicates that the corporation is no longer in existence or does not currently have authority to operate in the State of California, so it was counted as a “failure”. The proportions of “successes” were calculated and a two-sample test of proportions was used to determine if there was a statistically significant difference between the success rate of conventional corporations and benefit corporations in each of the years studied.

Results

Of the 83 benefit corporations who filed in 2012, 50.6 percent or forty-two entities were listed as active. Among the 48 filing in 2013, 75 percent or 36 entities were listed as active. Seventeen entities filed amendments or restatements in 2012 as did six entities in 2013.

The larger number of filings in 2012 is presumably due to "pent-up" demand because some corporations may have put off filing earlier in anticipation of the enactment of the benefit corporation statute. Of course, those existing corporations desiring to amend or restate their article of organization to become a benefit corporation were not able to do so until the statute went into effect. Table 4.2 lists the summary statistics for California Benefit Corporations filing in 2012 and 2013.

Of the benefit corporations with a status listed as "active", 34 of 42 who filed in 2012 had a company site on the Internet. Of these 34, 13 either had an annual benefit report posted on their web site or responded to a request for a report. If the four affiliates for Patagonia are included under their report, a total of 17 entities provided a report (either online or by request). In three cases, company representatives stated that their B Lab Impact

Table 4.2: Summary of Status of California Benefit Corporations Filing in 2012 and 2013

Filing year	**2012**					**2013**				
Filling Type/ Status	**Active**	**Dissolved**	**FTB Suspended**	**Total**	**percent active**	**Active**	**Dissolved**	**FTB Suspended**	**Total**	**percent active**
Articles	25	15	24*	**64**	**39.1%**	30	8	3	**41**	**73.2%**
Amendment**	17	1	1	**18**	**88.9%**	3	1		**4**	**75.0%**
Restatement***	1			**1**	**100%**	3			**3**	**100%**
TOTALS	42	16	25	**83**	**50.6%**	36	9	3	**48**	**75.0%**

*One entity listed as "SOS/FTB Suspended"

**Four of these entities for 2012 are affiliates of Patagonia (counted), and three of them filed amendments twice (counted once).
***One entity in 2013 filed twice (counted once)

Assessment served as the annual benefit report. In addition, four companies who did not reply had a Benefit Impact Report posted on B Lab's web site. These reports were used as the annual benefit report in these four cases. Thus, a total of 17 reports from entities filing in 2012 are used in this analysis. The Patagonia affiliates are included under their report; thus, the 17 reports covered 21 of 34 entities for a coverage rate of 61.8 percent (recalling our argument that entities without websites are very small or not fully operational). Corresponding searches and requests from benefit corporations filing in 2013 found that 24 of 36 "active" corporations had a web site, and yielded a total of 12 reports (50 percent coverage rate).

The number of benefit corporations producing each of the specific public benefits listed in the model legislation (as categorized from the self-reported public benefits) are summarized in Table 4.3. In addition, of the 24 entities which had published B Lab impact scores, six entities received points for "serving those in need" and 11 received points for "job creation". Five entities were determined to have direct or both direct and indirect economic impact as defined in the previous section, while the remaining 24 had indirect impact.

In assessing the location of the primary benefits, the benefits appeared to be primarily regional with 12 of the entities. The location classification of the primary benefits of seven of the entities was primarily remote. In general, these benefit corporations had a focus on helping a certain country or foreign region. Four of the entities appeared to have impact in multiple countries and regions. The assessment did not attempt to quantify the benefits, only determine the primary location. Several of the organizations had sourcing policies to source locally or from underserved communities. Also, some of the organizations had personnel policies to pay at least a living wage and provide employees with other non-traditional benefits such as childcare. Of those Benefit Corporations stating which third-party standard they used, all but two used the B Lab standard.

Table 4.3: Number of Benefit Corporations Producing the Specific Public Benefits (n=29)

Public Benefit	**Direct**	**Indirect**
A- *providing low-income or underserved individuals or communities with beneficial products or services;*	5	3
B- *promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business*	3	3
C- *protecting or restoring the environment*	9	29
D- *improving human health*	1	1
E- *promoting the arts, sciences, or advancement of knowledge*	4	2
F- *increasing the flow of capital to entities with a purpose to benefit society or the environment*	4	3
G- *conferring any other particular benefit for society or the environment*	0	19

Table 4.4: Comparison of "Active" Benefit Corporations and Conventional Corporations

	2012 Filing		2013 Filing	
	Benefit	**Conventional**	**Benefit**	**Conventional**
proportion	0.5060	0.5333	0.7500	0.7600
X	42	48	36	38
N	86	90	48	50
Z	-0.3622		-0.1151	
p	0.719		0.904	

In our random sample of California corporations filing articles in 2012, 48 of 90 had "active" status. Of the 50 random samples filing in 2013, 38 were listed as "active" (Table 4.4). This compares to 42 of 83 benefit corporations filing in 2012 listed as "active", and 36 of 48 with filings in 2013 (Table 4.2). Based on a statistical two-sample test of proportions using this information (Table 4.4), we would fail to reject the null hypothesis that the success rate of benefit corporations is the same as the success rate of conventional corporations. In fact, the failure rate was virtually the same for both types of corporation in each year.

Discussion of Results

Taking a broader view of economic development, such as the capabilities approach advocated by Sen (1999) and Nussbaum (2011), virtually all benefit corporations could claim to contribute to economic development. Limiting economic development to hard-core concepts, such as job creation or serving underserved populations, fewer benefit corporations could be considered as focused on economic development. Three of the benefit corporations were directly involved in the creation of economic opportunities beyond jobs creation beyond the normal course of business. Five were directly involved in providing beneficial products or services to low-income or underserved individuals or communities.

At least three of the benefit corporations that were specifically organized to create economic opportunities for underserved groups did so through their sourcing practices. For example, as indicated in their report, NEEV (NEEV, 2016) was specifically founded to provide economic opportunities to marginalized women. NEEV uses sourcing practices to provide women in India with opportunities to earn living wages and to be economically independent. Further, NEEV donates 50 percent of its profits to women's causes in various countries around the world. Organizations like NEEV and All Across Africa (All Across Africa, 2015) are focused on having economic impact in other countries. However, many of the benefit corporations listed have specific policies to impact their local or regional areas, even those with market areas outside of their region. For instance, as indicated in their report, Give Something Back (B Lab, 2016j) actively recruits individuals with barriers to employment or from low-income communities, and gives a large percentage of their profits to regional charities. Dogeared (B Lab, 2016k) focuses on local sourcing. Almost all of the Certified B Corporations scored a significant number of points in at least some of the five sub-categories of the "community" category.

Protecting or restoring the environment is the most common reported direct focus of benefit corporations and by far the most common indirect benefit provided. Charitable giving (categorized as "other particular benefits") was the second most common indirect benefit provided. Not all organizations specified where their charitable giving was directed, but of those who did, providing services or opportunities for underserved groups or populations and the environment was frequently mentioned in their reports. Among the 19 organizations listed as providing "other particular benefits for society or the environment" all had formal programs for donating to charities or for local volunteer work, or for providing services pro bono. The percentage of profits donated to charity by many of the organizations is substantial. As mentioned, NEEV donates 50 percent of profits, and Give Something Back donates 73 percent of profits. Impact Makers (Impact Makers, 2015), a benefit corporation based in Richmond, Virginia donates 100 percent of its profits to charitable community partners.

Obviously, many conventional corporations have programs for local sourcing, volunteer work, and donations, as well. However, a report by a group representing CEOs of over 150 large corporations estimates their organizations' total giving in 2014 to be one percent of profits (CECP, 2015). It appears that by this sample of benefit corporations, benefit corporations' charitable giving by percentage of profits is far in excess of these large corporations. However, more research is needed to look at other factors besides the status of the entity.

One lesson learned in the process of this research are that finding a general list of benefit corporations was not easy. For example, the California Secretary of State web site did not include any means of searching for information on benefit corporations as a category. In addition, general information on benefit corporations was difficult to find on state agency web sites in other states as well (*e.g.* South Carolina, Virginia, and Oregon).

It is likely that some of those wanting to start a business with a primary or secondary social purpose are not even aware of the option to organize as a benefit corporation. For example, the California Governor’s Office of Business and Economic Development web site lists the types of business entities that can be formed in California (California Governor’s Office of Business and Economic Development, 2012). Benefit Corporations are not listed. A search on “benefit corporation” in the search field of this page does not bring up any search results specifically relevant to benefit corporations on the first results page. The Secretary of State web site that provides information on business programs (California Secretary of State, 2014) also does not provide any readily-visible information on benefit corporations. More readily-available information could serve to promote the concept of benefit corporations.

Another finding is that many benefit corporations are not in compliance with the statutory requirement to post or provide an annual benefit report. Those that did post reports did not always do so in places that were easy to find. Many of our requests for reports went unanswered. Also, some of the benefit corporations stated that they used the B Lab Impact Report as their annual benefit report. While the B Lab Impact Report provides useful information, it technically does not meet all of the legal requirements of the annual benefit report per the statute.

Conclusion and Recommendations

Overall, it appears that benefit corporations in California have the potential and intent to contribute significantly to economic and community development. Even though economic development in the traditional sense of job creation is not the stated purpose of most benefit corporations, a large majority of them contribute to community development through their business practices. This study did not collect direct performance data comparing benefit corporations to conventional corporations to determine if their impact exceeds traditional corporations. However, there is strong anecdotal evidence to indicate that the level of charitable giving in benefit corporations significantly exceeds that of conventional corporations. In addition, most benefit corporations tend to provide their employees with living wages or higher, which could have an indirect positive impact on their local economies. Also, the local focus of many benefit corporations should have a positive impact on local and regional economic development. A quantitative comparison of the impact on economic development between benefit corporations and conventional corporations is a subject for further research.

The Benefit Corporation appears to be a suitable organizational form for at least some social enterprises. Benefit corporations appear to be an intermediate form of organization and have the benefit of a residual claimant (shareholders) for accountability (like a traditional corporation) with the added flexibility and obligation to create social benefits (like a nonprofit). Based upon our earlier discussion of corporate social responsibility and social entrepreneurship, benefit corporations appear to be engaged in either or both. While some benefit corporations produced a public benefit deliberately as a by-product of their business practices, the generation of a public benefit was integral to the mission of others. If differentiating between benefit corporations primarily engaged in corporate social responsibility and benefit corporations primarily engaged in social entrepreneurship, this primacy of social mission could be a key distinguishing factor. The "public benefits" generated by benefit corporations generally do not meet the economic definition of a public good, but many could be said to be quasi-public goods or to create positive externalities. For example, Greyston Bakery's open hiring of ex-convicts not only benefits the people hired, but also could reduce recidivism, which would reduce crime and public expenditures on incarceration. At least some of these goods could have direct impact on mitigating the costs of market and government failures. Also, this study did not attempt to assess the impact of the benefit corporations on income distribution in their regions of operation. This impact assessment would be an interesting topic for future research.

Because of their potential to stimulate economic development and reduce public expenditures by providing goods and services to underserved groups and populations, policymakers may want to give consideration to additional public support for benefit corporations. Arguments for and against direct financial support have been put forth (Korosec & Berman, 2006; Choi & Majumdar, 2014; Andre`, 2015). However, promotion of benefit corporations could be increased by policies that do not provide direct financial support and would have minimal impact on public budgets. For example, providing easily accessible information on benefit corporations to both potential investors and entrepreneurs could accelerate the adoption and impact of this organizational form. In addition, amending investment laws to give public employees the ability to opt into public pension plans that emphasize benefit corporations would be likely to increase the flow of investment capital to benefit corporations because at least some public employees would prefer to invest in firms with a social purpose. State and local governments could also amend purchasing policies to favor benefit corporations when their costs were in line with other competitive bids.

All state governments and many local governments have programs to promote business startups. Including information on benefit corporations (and other forms of social entrepreneurship and corporate social responsibility) in these programs could be done at minimal cost. Also, more effort to inform consumers about the potential of benefit corporations could bring increased attention and business to benefit corporations and thus increase their economic and social impact. This increased awareness could be accomplished inexpensively through public service announcements and by adding information on benefit corporations to existing programs which promote state businesses.

Another recommendation to highlight and promote benefit corporations is to create an Internet domain name extension exclusively for the use of registered benefit corporations (perhaps ".bc" or ".bcom"). Restricting one or perhaps two domain names to each registered benefit corporation would prevent cybersquatting and raise immediate awareness of benefit corporations. Of course, adding domain names and restrictions would require policy intervention beyond the level of state government.

As noted, finding public agency information on specific benefit corporations or by category was difficult. If benefit corporations are to fulfill the claim that ". . . the model legislation has a built in economic development engine that opens up new markets for states by giving investors and social enterprise the tools they need to function effectively" (B Lab, 2014), then investors should be given easier access to benefit corporation information. One simple enhancement that could facilitate access would be to add a field designating an organization as a benefit corporation to the organization information listed on Secretary of State web site. This addition would enable a quick search for benefit corporations. Another enhancement that could be helpful for all types of organizations is to add a field containing a link to an organization's web site.

Because of the relatively high level of non-compliance in issuing annual benefit reports, legislators may want to consider modifying the corporate code to require submission of the annual benefit report to the Secretary of State office. Annual filing is a requirement for benefit corporations in South Carolina, but the process appears to require a physical mailing (South Carolina HB 4766, 2012). This process could be automated using information technology to the point where it would be of very minimal cost to both the state and the benefit corporations. In addition, creating a centralized online repository for annual benefit reports would increase transparency and make the reports available to potential investors and consumers in one central location. Transparency and accountability are key to preventing greenwashing. In this same vein, legislators may want to reconsider allowing the use of any third-party standard in becoming a registered benefit corporation. If benefit corporations gain public awareness and favor, there may be some temptation for disingenuous businesses to promote the formation of an "industry group" to create a watered-down standard. Amending benefit corporation statutes to prescribe certain essential elements of a recognized standard could mitigate this risk.

Our preliminary statistical analysis (Table 4.4) indicates that benefit corporations do not fail at a rate significantly different than conventional corporations. More research involving additional factors is needed to validate (or invalidate) this preliminary conclusion and to provide quantitative information about each type of corporation. In addition, follow up studies on failed (or successful) benefit corporations could provide insight into the factors of success and whether benefit corporations incur additional financial costs in producing public benefits, or whether consumers or shareholders forgo economic benefits to support the missions of benefit corporations.

Also, one of the limitations of this study is that the focus was on benefit corporations from California. Research on benefit corporations in other states could confirm if this study's finding are unique to California benefit corporations or are more generalizable. Benefit corporations are having some impact on economic and community development, and may have the potential to have a transformative impact on society. They are a subject worthy of further study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND FUTURE RESEARCH

Social Entrepreneurship and Economic Development

In this collection of essays we have explored several questions related to social entrepreneurship and economic development policy. The introductory chapter (Chapter One) discusses the important role entrepreneurship can play in economic development (Schumpeter, 1950; Haltiwanger, Jarmin & Miranda, 2013; 2009; Barkley, Henry & Lee, 2008). Social entrepreneurship not only has the potential to increase economic output, but has the added benefit of creating additional social capital (Leadbeater, 1997) and providing important social services in areas where markets and governments may fail to provide these services (Mikami, 2014).

In spite of the importance of entrepreneurship to economic development, current state and regional economic development policies appear to be focused on “buffalo hunting”, a strategy that seeks to entice large existing corporations to locate or expand in the region. This strategy usually results in firms shopping states and municipalities for the best incentive package rather than making location decisions based purely on natural advantages (McGahey, 2008; LeRoy, et al., 2015). The results of this policy focus are reduced value creation and wealth transfers from taxpayers to the corporations. Porter (2000), among others, calls for economic development strategies that promote entrepreneurship. Chapter One not only set the stage for the remaining chapters, but called policymakers’ attention to the largely untapped potential of social entrepreneurship as an important tool for economic development. With the potential of social enterprises to create additional social value, it makes sense to include the promotion of social entrepreneurship as part of these economic development policies.

Defining Social Entrepreneurship

The first essay (Chapter Two) served as a precursor to the topic because of the ambiguous and contested state of the definition of social entrepreneurship (Choi & Majumdar, 2014). Without a clear conceptual understanding of social entrepreneurship, further development or discussion of social entrepreneurship as a legitimate field of scholarly study is difficult (Smith-Hunter, 2008; Short, Moss, and Lumpkin, 2009). One contribution this chapter makes to furthering social entrepreneurship as a field of scholarly study is developing a multidimensional continuum as a definitional framework. When definitions of social entrepreneurship are discussed in the literature, the normal approach was to concoct a dichotomous definition explaining either what social entrepreneurship is or is not (*e.g.*, Christie & Honig, 2006; Murphy & Coombes, 2009). Since it is apparent that the defining elements of social entrepreneurship exist in degrees rather than a binary state, the multidimensional continuum framework has the advantage of being able to place subjects in “every possible ‘state of being’ in a multidimensional state, property, or space” (Reed and Balchen, 1982, p. 65). Hence, the definitional framework we propose enhances the understanding of social entrepreneurship and has the potential to further the advancement of it as a field of scholarly study.

We utilized corpus linguistic analysis (Pollach, 2012), which combines a structured quantitative and qualitative approach to discover the key dimensions for the definition. In the process of the analysis, we discovered strong evidence that scholars believe that economic value creation and social value creation occur concurrently. Hence, social entrepreneurs have the potential to positively impact not only economic growth, but economic development.

While the proposed framework provides a solid basis for defining social entrepreneurship, several challenges remain in order to create a fully operational definition of social entrepreneurship. First of all, we suggested some specific proxy measures for assessing where an organization fits along the continua of several proposed dimensions. However, more development and validation of measures is needed. Next, the definition of "social" (and by extension "social benefit") remains problematic and needs further clarification and development. Because of the contested natures of the term "social", some organizations will produce outputs considered by some, but not by others, to create social value (*e.g.*, The Armed Citizen Project (Otis & Boyle, 2013)). Policymakers promoting social entrepreneurship will need to have a process for determining what is socially valuable to their constituencies. Further work could develop a framework for defining the term social.

After applying information from research done for the other two essays to the process of defining social entrepreneurship, it may be advantageous to split the "social value creation" dimension into a process-related sub-dimension and a product-related sub-dimension. Doing so could help determine social motivation and expose greenwashing. For example, Phillip Morris International touts its sustainable agricultural practices and social initiatives (Phillip Morris International, 2016). However, its core output is tobacco products which are almost universally acknowledged to have severe adverse health effects and negative economic impacts, particularly on persons with low income. This actual example is not too far removed from Camenisch's (1981) hypothetical example of a company that provided employees with excellent working conditions and compensation in the process of producing instruments of torture. It seems reasonable to exclude organizations whose output does not create a net social value from being considered as engaged in social entrepreneurship or corporate social responsibility, regardless of the economic returns associated with their primary process.

Finally, even though we argued that social entrepreneurship cannot effectively be defined by a dichotomous definition, policymakers will need concrete criteria to set boundaries for inclusion (or exclusion) when formulating or evaluating policies designed to promote social entrepreneurship or social enterprises. Further research could help policymakers delineate these boundaries. It may also be helpful to use our definitional framework to approach policymaking related to social entrepreneurship as a continuum. In other words, rather than supporting or not supporting an organization as a social enterprise, offer degrees of support based upon where the organization falls within a definitional continuum.

Measuring the Impact of Social Enterprises on Economic Development

In the second essay (Chapter Three), we used a Social Accounting Matrix (SAM) approach to measure the regional economic impact of a program of a social enterprise. This analysis included distributional effects of income from the activities (Holland &

Wyeth, 1993; Hughes & Shields, 2007). While the aggregated impact was very small relative to the size of overall regional economy, the analysis did show a positive impact in job creation and other aspects of economic growth. The analysis has limitations in that it does not capture difficult to measure economic or non-economic impacts of the enterprise's activities. Some of these likely important but unmeasured impacts of the program that facilitate economic development include social and human capital creation and increased financial literacy. In spite of the limitations, we believe that the framework developed in the chapter is a useful starting point for both scholars and policymakers to use in assessing the economic impact of the activities of a social enterprise, policy, or program. Further research could develop extensions to the SAM model which could more effectively measure the impacts of indirect or non-economic factors.

The Impact of Benefit Corporations on Economic Development

The legal requirements for nonprofit organizations are intended to focus directors' decisions on the organization mission rather than on making profits. While there is some argument over whether profit maximization is a legal requirement for conventional corporations (Andre`, 2015), a focus on profit maximization is well-established as tenet of corporate culture (Kanig, 2013). While some social entrepreneurs find the nonprofit firm to be a suitable organizational form for their needs, others do not (Austin, Stevenson, & Wei-Skillern, 2006). Many social entrepreneurs are interested in managing a "triple bottom-line". In other words, they want to balance earning a profit with social concerns and environmental stewardship. Beginning in Maryland in 2010, benefit corporations (B Lab, 2016a) have emerged in the majority of states as an alternative organizational form that appears to be a hybrid between nonprofits and traditional corporations. Benefit corporations as a legal form have the advantages of establishing a residual claimant to whom directors are obligated to satisfy, while at the same time codifying the social purposes or processes of the organization.

In the third essay (Chapter Four), we examine whether benefit corporations are engaged in social entrepreneurship and make a preliminary assessment of their impact on economic development. Our study subjects were all of the benefit corporations filing articles or amendments of organization in California in 2012 and 2013. We found that benefit corporations straddle the boundary between social entrepreneurship and corporate social responsibility. Most benefit corporations appear to be actively engaged in managing a triple bottom-line. Some benefit corporations (*e.g.*, Patagonia, n.d.) appear to be more interested in engaging in traditional businesses while codifying socially and environmentally responsible values and operating principles. Others (*e.g.*, All Across Africa, 2015; NEEV, 2015) appear to give primacy to their social missions.

In terms of traditional notions of economic development such as GDP growth and job creation, only a fairly small percentage of the benefit corporations were directly engaged in activities to promote these measures. However, viewed in a broader context of economic development such as the capabilities approach advocated by Sen (1999) and Nussbaum (2011), most of the benefit corporations were directly engaged in activities promoting economic development and all were indirectly engaged. Some benefit corporations targeted their activities specifically toward developing countries. However, others focused on local and regional impact. The SAM analysis framework discussed in Chapter 3 could be used to assess the impact of the benefit corporations on income distribution in their regions of operation.

Additional scholarly contributions from this chapter include several possible theoretical explanations of how benefit corporations (or other social enterprises) can create social value or positive externalities while remaining economically viable. We did not have the data to individually test each hypothesis. However, we did conduct a preliminary statistical analysis of the failure rate of benefit corporations compared to a sample of traditional corporations. Our analysis indicates no significant difference in the failure rate of benefit corporations. This finding may support the validity of one or a combination of our hypotheses related to benefit corporations and public value creation. However, more research is needed to test each hypothesis individually. Additional research could also compare the public value creation of benefit corporations with that of traditional nonprofit organizations.

This chapter also provided several insights to policymakers. First of all, we provided an analysis of the arguments for and against benefit corporations. While there are valid points on both sides of the issue (*e.g.*, Kanig, 2013; Andre`, 2015), the arguments in favor of benefit corporations appear to be more compelling. In addition, our analysis of benefit corporations in California provided policymakers with a better understanding of the potential impact of benefit corporations on economic development. Finally, our research identified several barriers to the adoption of benefit corporations and issues that could adversely affect their widespread adoption and success. We proposed low-cost approaches to addressing these issues, most of which could be implemented at the state level.

Conclusion

While far from exhaustive, our research suggests that social entrepreneurs and social enterprises do indeed have the potential to positively impact economic development, create positive externalities, and reduce public expenditures on social services and mitigating negative externalities. We argue that if done effectively, promoting benefit corporations and other forms of social entrepreneurship is sound public policy. However, policymakers must take care to formulate policy that will truly help social entrepreneurs and not attract charlatans that will co-opt social entrepreneurship for their own narrow self-interests. We have provided some insights to help policymakers more effectively formulate and promote policies in these areas.

In addition, we have suggested a number of topics for further research; however, these suggestions are only a small part of the many potential topics related to the subject of social entrepreneurship and economic development policy. Based upon the results of the studies in this dissertation, it appears to be a topic worthy of further research.

APPENDICES

Appendix A: Figures and Tables from Chapter Two

Table A.1 Social KWIC Sample Excerpts

Source Article	Quote with keyword from KWIC in bold
Miller et al., 2012	A **social** issue refers to "a putative condition or situation that is labeled a problem in the arenas of public discourse and action [e.g., poverty, illiteracy, unemployment]" (Hilgartner & Bosk, 1988: 53-54).
#12	A broad definition of **social** entrepreneurship refers to innovative activity with a social objective in either the for-profit sector, or in the corporate social entrepreneurship (usually in the form of CSR-related activities) or in the non-profit sector (Dees 1998; Dees and E. Chell et al.)
#20	**Social** entrepreneurs' acts will always be linked to an objective of social value creation (Dees 1998a, b; Schwab Foundation 1998; Sullivan Mort, Weerawardena, and Carnegie 2003; Sharir and Lerner 2006).
#20	Simply put, **social** entrepreneurship is defined by its two constituent elements: a prime strategic focus on social impact and an innovative approach to achieving its mission
#25	Common across all definitions of **social** entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth (e.g., Zadek & Thake, 1997), and that the activity is characterized by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices.
#29	However, **social** entrepreneurship focuses on addressing unmet societal needs and seeks to primarily generate social value (Brooks, 2008; Mair & Martí, 2006; Nicholls, 2006), while commercial entrepreneurship seeks to primarily create economic value (Austin et al., 2006).
#62	Still others equate social entrepreneurship to philanthropy (Ostrander, 2007), while some scholars embrace broader definitions that relate **social** entrepreneurship to individuals or organizations engaged in entrepreneurial activities with a social goal (Certo and Miller, 2008; Van de Ven, Sapienza, and Villanueva, 2007).
#63	Specifically, we employ Mair and Marti's (2006: 37) definition of social entrepreneurship as 'a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs.'

Table A.2 Resource KWIC Sample Excerpts

Source Article	**Quote with keyword from KWIC in bold**
#11	Thus **resource** acquisition is one of the dominant forces driving inter-organizational relations as can be seen in the following studies.
#30	For example, the literature on social resourcing (Starr & MacMillan, 1990) and social contracting (Peterson, 1995) emphasizes that social, as well as economic, exchange is a significant element of **resource** acquisition, particularly under conditions of resource scarcity.
#30	This process involves three main approaches to **resource** acquisition and construction: (1) creating something from nothing, such as creating a new market or providing a new service where none existed beforehand; (2) using discarded, disused, or unwanted resources for new purposes; and (3) using hidden or untapped local resources that other organizations fail to recognize, value, or use adequately.
#63	Under low munificence and prominence, bricolage presents the initial formative action steps for a venture before it can persuade significant actors to leverage acquisition of **resources** and support.
#25	In short, while the human and financial **resources** required for success have similarities across commercial and social entrepreneurship, social entrepreneurs are often faced with more constraints: limited access to the best talent; fewer financial institutions, instruments, and resources; and scarce unrestricted funding and inherent strategic rigidities, which hinder their ability to mobilize and deploy resources to achieve the organization's ambitious goals.
#30	**Resource** constraints push the social enterprise into finding innovative ways of using existing resources and acquiring new resources in order to both achieve financial sustainability and generate social outcomes.
#37	Contrary to the predominant view of **resource** mobilization, this article finds that social entrepreneurs confronted with institutional constraints engage in bricolage to reconfigure existing resources at hand.
#63	Thus, while most entrepreneurial ventures operate under considerable **resource** constraints, such constraints are perhaps more significant in social ventures for two primary and related reasons.
#23	In short, social entrepreneurs emerge from this study as community leaders that have the capacity to mobilize local natural, economic, cultural and social **resources**.

Table A.3 Economic KWIC Sample Excerpts

#6	As a result, **economic** and social value creation can be viewed as mutually reinforcing, as opposed to mutually exclusive, processes (Cho, 2006; Harding, 2004; Hartigan, 2006; Hibbert, Hogg, & Quinn, 2005; Lasprogata & Cotten, 2003).
#11	Corporations increasingly seek to form philanthropic partnerships with organizations that share similar goals of generating both **economic** and social value (Porter and Kramer 2002, 2006).
#11	However, in practice **economic** and social value often are operationalized in the same way - as creating earned income and wealth (economic value), can improve the standard of living (social value) of individuals or communities.
#13	Social entrepreneurship is often distinguished from **economic** entrepreneurship by the primary goal: 'social value' rather than private gain (Dees 2001, 4; Dacanay 2004).
#25	Note that the distinction between social and commercial entrepreneurship is not dichotomous, but rather more accurately conceptualized as a continuum ranging from purely social to purely **economic**.
#29	However, social entrepreneurship focuses on addressing unmet societal needs and seeks to primarily generate social value (Brooks, 2008; Mair & Martí, 2006; Nicholls, 2006), while commercial entrepreneurship seeks to primarily create **economic** value (Austin et al., 2006).
#47	While for business entrepreneurs social value creation is often a by-product of the economic value created (Venkataraman, 1997), for these actors - often referred to as social entrepreneurs - creating social value is the primary objective, while creating **economic** value is a necessary condition to ensure financial viability (Mair and Martí, 2006).

Table A.4 Innovation KWIC Sample Excerpts

#15	Entrepreneurship can be understood as dynamic change resulting from **innovation** which takes the form of the introduction of new combinations: the formation and reformation of cooperating groups.
#16	Social innovation occurs to satisfy unmet human and societal needs, whereas business **innovation** is market- and consumer-driven.
#25	Common across all definitions of social entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth (e.g., Zadek & Thake, 1997), and that the activity is characterized by **innovation**, or the creation of something new rather than simply the replication of existing enterprises or practices.
#28	**Innovation** is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity to reconfigure resources to create value in new ways (Drucker, 1993).
#34	These two general categories of **innovation** could be fairly independent of one another and may require different types of skills, resources, and approaches. {mission-related innovation, and innovation related to financial sustainability/viability}
#56	More recently, the "extended" view of SE (Perrini 2006) sees an independent, extremely intersectoral field of study and sector of activity (spanning nonprofit, for profit, and the public sector) which leverages creativity and **innovation** (hallmarks of the mainstream entrepreneurial field) but is specifically targeted towards social change (Perrini 2006).
#58	Finally, research that mixes the various SE contexts identifies factors such as property rights, **innovation**, and opportunity recognition as key to social and economic improvement (Anderson et al.
#59	The role of social entrepreneurship in society is that of social value creation through **innovation** and mutually beneficial exchanges to solve problems.

Table A.6 Ethics KWIC Sample Excerpts

#46	Furthermore, entrepreneurs tend to face **ethical** dilemmas involving their own values, organizational culture, employee well-being, customer satisfaction, and external accountability (Payne and Joyner, 2006).
#46	Because new ventures often emerge at the cutting edge of innovation, sorting out the **ethics** involved can be particularly challenging, not only because technology is of necessity always "value laden" (Martin and Freeman, 2004:356), but also because technological advancement - as with other paradigm-shifting exogenous shocks - often requires deep reflection in order to decide how to apply ethical standards, and can even potentially lead to a revision of one's ethical judgments.
#46	Second, they highlight several **ethical** concerns that arise in this specific organizational form that has both social and economic objectives.
#48	Each of the three social entrepreneur types we have profiled in this article faces unique **ethical** challenges.
#12	As the **ethical** foundations of the social enterprise strongly influence its strategies and operations, how should expectations of numerous stakeholders be managed and met effectively during the growth process?
#46	Other research (Longenecker et al.,1989b; Schminke et al., 2005) find that the values of the entrepreneur play a substantial role in the new venture's **ethical** climate, subject to other moderating influences.
#46	Furthermore, consistent with Gartner's (1985) assertion that differences among entrepreneurs may be greater than differences between them and non-entrepreneurs (see also Sarasvathy, 2004b), research shows that small business owners exhibit heterogeneity with respect to both their **ethical** values held, and the demographic factors presumed to influence those values (Dawson et al., 2002).
#46	Relatedly - and turning this notion on its head - others suggest that **ethical** value tensions themselves can serve as a source of innovation and entrepreneurship (e.g., Wempe, 2005).
#46	Additional research is required to better understand the particular **ethical** issues endemic to social entrepreneurship, as well as the assessment of success in hybrid organizations that value both social and economic aims.

Table A.7 Nonprofit KWIC Sample Excerpts

#32	A long-standing debate continues in the fields of economics and public policy as to whether **nonprofit** forms of organization are inherently less, equally, or more efficient compared with for-profit forms, with data supporting all three hypotheses (Brody, 1996; Rosenau & Linder, 2003).
#62	For example, Lasprogata and Cotton (2003) define social entrepreneurship in terms of charitable **nonprofit** organizations (as defined by the U.S. tax code) that seek to sustain ….
#37	The UK defines social enterprises as independent sector for-profit or **nonprofit** ventures that use quasi-market mechanisms to increase efficiency in service provision (Salamon et al.).
#32	Limited academic discussions on the subject have, in most part, viewed structure as a discrete, dichotomous, choice between for-profit and **nonprofit** forms made by individual social entrepreneurs when planning a new start-up venture However, social entrepreneurship often originates out of existing **nonprofit** and for-profit organizations, herein referred to as "social intra-preneurship" (Light, 2008; Mair & Schoen, 2007), and is therefore much more complex, path-dependent, and embedded than traditionally theorized.
#26	Proposition 2: There is a positive relationship between the goal of maximizing social value and the decision to organize under a **nonprofit** organizational form where the social goals of the entrepreneur hold primacy over the economic goals.
#26	For stakeholders becoming involved with **nonprofit** SE ventures, stakeholder alignment with the double bottom-line concept is critical since the firm will have to divert some of its energy that would otherwise be used towards pursuing the social goals of the firm towards generating sufficient resources to be self-sustaining.
#33	Researchers often contrast SEOs with traditional **nonprofits** that hold to an exclusively social mission and rely solely on external grants and donor support for revenue (Dart, 2004; Dees, Emerson, & Economy, 2001).
#36	There are systematic differences in the intentions and goals of individuals pursuing **nonprofit** and entrepreneurial initiatives (Gartner, 1993; Weisbrod, 1997), which implies differences in the organizing actions of each.

Table A.8 Social Capital KWIC Sample Excerpts

#41	We maintain that the effects of social entrepreneurship may be wider than directly addressing social needs: it also creates a form of **social capital** appropriable by commercial entrepreneurs.
#30	Third, as well as supplying products and delivering services to individuals and communities, they seek to generate additional benefits such as increased **social capital** and enhanced community cohesion.
#22	Social enterprises are significant users and reproducers of **social capital** (Evers and Schulze-Bo¨ing 1997).
#23	At stake, here, are the core values that our interviewees identified as the driving force behind their efforts: strengthening community cohesion and the generation of **social capital**.
#23	In this respect, our case studies also confirm that the generation or enhancement of **social capital** is the most fundamental motivation behind community food and other social economy initiatives, as many researchers have pointed out (see, amongst others, Johnstone and Lionais 2004; Somerville and McElwee 2011).
#18	Put differently, CBEs are built on **social capital** and create additional social capital for their communities.
#41	Our main contribution is to add to **social capital** research by conceptualizing and validating social entrepreneurship as an indicator of constructible social capital created from below.
#11	Thus social ventures, corporations and government entities seek access to **social capital** to improve their reach, legitimacy, and potential access to additional resources.

Table A.9 Social Innovation KWIC Sample Excerpts

#14	SE overturns this mechanism, focusing its interest not primarily on achieving a competitive economic advantage, but on spreading the **social innovation** as widely as possible in order to maximize social change and solve the problems that it aims to address (Drayton 2002; Chell 2007).
#16	**Social innovation** occurs to satisfy unmet human and societal needs, whereas business innovation is market- and consumer-driven.
#17	Upon the discovery and exploitation of an effective **social innovation**, social entrepreneurs often consider how to grow or expand the social value of the organization . . .
#20	One can identify at least three main schools of thought of social entrepreneurship: the **Social Innovation** and the Social Enterprise Schools in the US; the EMES approach in Europe (Defourny and Nyssens 2008).
#27	State expenditure on social investment is far less evident elsewhere in the world, but this is beginning to change in the United States with the establishment of a $50 million (£31 million) **Social Innovation** Fund within the White House.
#27	However, an alternative perspective comes from the **social innovation** tradition that conceptualizes social entrepreneurship as being a process of change in the delivery of public goods and social/environmental services.
#35	If the promise of profit is required for an act to qualify economically as entrepreneurship, then SE is likely to be a narrower concept than **social innovation**.
#35	Thus, despite arguments to the contrary (e.g., Dees, 2007), it may be necessary when considering SE's role in economic growth to distinguish between **social innovation** that does not expect to realize earned income and social entrepreneurship, which expects to realize earned income but, unlike BE, not enough to cover the full costs of capital.
#42	The logic here suggests that social entrepreneurship applies an 'entrepreneurial lens' - defined by commercial practice - to social value generation such that profit-seeking becomes part of **social innovation**.
#49	A third approach adopts a **social innovation** perspective that proposes 'social entrepreneurship as being a process of change in the delivery of public goods and social/environmental services' (Nicholls, 2010 p. 626).
#56	At the same time, the extended view embodied by the SE literature (and by practice in the field) considers **social innovation** outside of the traditional non-profit framework.
#57	Social ventures form partnerships with a diverse range of participants to mobilize resources and facilitate the development of **social innovation** (Hess et al.)
#63	TSVs are at the forefront of **social innovation**, as they attempt to balance a distinct social mission with a strong market orientation (Desa and Kotha, 2006a; Koch and Caradonna, 2006).

APPENDIX B: Details of Output from SAM Analysis

Table B.1 Details of Impact of $205,000 Shock to Regional Economy (Scenario 1)

Sector		Total Industry Output ($M)	Earned Income ($M)	Gross Regional Product ($M)	Employment
1	Farming	0.0017	0.0004	0.0005	0.0138
15	Natural Resources	0.0001	0.0000	0.0000	0.0010
16	Wood and Furniture Products	0.0007	0.0002	0.0002	0.0040
19	Support Activities for Agriculture and Forestry	0.0001	0.0001	0.0001	0.0027
20	Mining	0.0002	0.0000	0.0001	0.0005
33	Utilities	0.0106	0.0015	0.0060	0.0137
34	Construction	0.0043	0.0018	0.0021	0.0417
42	Food and Feed Manufacturing	0.0077	0.0007	0.0012	0.0184
75	Textiles and Apparel	0.0002	0.0000	0.0000	0.0007
104	Pulp, Paper and Printing Products	0.0012	0.0002	0.0003	0.0027
115	Petrochemical Manufacture	0.0017	0.0002	0.0003	0.0017
130	Fertilizer Manufacturing	0.0001	0.0000	0.0000	0.0001
132	Pharmaceutical and Allied Products	0.0001	0.0000	0.0000	0.0001
136	Plastics and Allied Products	0.0003	0.0001	0.0001	0.0008
151	Tire and Rubber Manufacture	0.0002	0.0000	0.0001	0.0005
153	Glass, Cement, and Allied Products	0.0003	0.0001	0.0001	0.0012
170	Metal Smelting and Refining	0.0001	0.0000	0.0000	0.0001
184	Fabricated Metal and Allied Products	0.0002	0.0001	0.0001	0.0008
203	Farm Machinery, Allied Product Manufacture	0.0001	0.0000	0.0000	0.0004
233	Electronic Equipment Manufacture	0.0002	0.0000	0.0000	0.0003
276	Motor Vehicle, Other Transport, Allied Manufacture	0.0001	0.0000	0.0000	0.0002
305	Other Manufacture	0.0002	0.0001	0.0001	0.0008
319	42 Wholesale Trade	0.0083	0.0036	0.0059	0.0490
320	Other Retail trade	0.0237	0.0104	0.0163	0.3646
324	Retail Stores-Food and Beverage	0.0043	0.0022	0.0030	0.0795
332	Transportation, Warehousing	0.0052	0.0019	0.0025	0.0402
341	Information	0.0119	0.0024	0.0057	0.0357
354	Finance and Insurance	0.0353	0.0082	0.0182	0.1670
360	Rental Activities	0.0496	0.0028	0.0336	0.1645
367	Professional, Scientific, Technical Services	0.0142	0.0077	0.0097	0.1324
382	Administrative, Waste, Management Services	0.0122	0.0059	0.0074	0.1766
391	Educational Services	0.0020	0.0009	0.0011	0.0365

394	Social Services	0.0153	0.0094	0.0098	0.1794
395	Home Health Care Services	0.0014	0.0010	0.0011	0.0277
396	Medical Labs, Ambulatory Care Services	0.0033	0.0016	0.0023	0.0294
397	Private Hospitals	0.0110	0.0050	0.0057	0.0914
398	Nursing and Residential Care Facilities	0.0045	0.0025	0.0029	0.0785
402	Arts, Entertainment and Recreation	0.0020	0.0007	0.0010	0.0446
411	Accommodations	0.0001	0.0000	0.0001	0.0014
413	Food Services and Drinking Places	0.0125	0.0043	0.0064	0.2367
414	Other services	0.0100	0.0060	0.0063	0.1683
427	Government and Other	0.0085	0.0068	0.0081	0.0950
	Total	0.2656	0.0891	0.1582	2.3045

Table B.2 Details of Impact of $254,000 Shock to Regional Economy (Scenario 2)

Sector		Total Industry Output ($M)	Earned Income ($M)	Gross Regional Product ($M)	Employment
1	Farming	0.0021	0.0004	0.0007	0.0171
15	Natural Resources	0.0001	0.0000	0.0000	0.0012
16	Wood and Furniture Products	0.0008	0.0002	0.0003	0.0049
19	Support Activities for Agriculture and Forestry	0.0001	0.0001	0.0001	0.0034
20	Mining	0.0002	0.0001	0.0001	0.0007
33	Utilities	0.0132	0.0018	0.0074	0.0170
34	Construction	0.0053	0.0023	0.0026	0.0517
42	Food and Feed Manufacturing	0.0095	0.0009	0.0014	0.0228
75	Textiles and Apparel	0.0002	0.0000	0.0001	0.0009
104	Pulp, Paper and Printing Products	0.0015	0.0003	0.0004	0.0034
115	Petrochemical Manufacture	0.0021	0.0002	0.0004	0.0021
130	Fertilizer Manufacturing	0.0001	0.0000	0.0000	0.0001
132	Pharmaceutical and Allied Products	0.0001	0.0000	0.0000	0.0001
136	Plastics and Allied Products	0.0004	0.0001	0.0001	0.0010
151	Tire and Rubber Manufacture	0.0002	0.0000	0.0001	0.0006
153	Glass, Cement, and Allied Products	0.0004	0.0001	0.0001	0.0015
170	Metal Smelting and Refining	0.0001	0.0000	0.0000	0.0002
184	Fabricated Metal and Allied Products	0.0003	0.0001	0.0001	0.0010
203	Farm Machinery, Allied Product Manufacture	0.0002	0.0000	0.0000	0.0004
233	Electronic Equipment Manufacture	0.0002	0.0000	0.0000	0.0003
276	Motor Vehicle, Other Transport, Allied Manufacture	0.0001	0.0000	0.0000	0.0003
305	Other Manufacture	0.0002	0.0001	0.0001	0.0009
319	42 Wholesale Trade	0.0102	0.0044	0.0073	0.0607
320	Other Retail trade	0.0294	0.0129	0.0201	0.4517
324	Retail Stores-Food and Beverage	0.0054	0.0027	0.0037	0.0985
332	Transportation, Warehousing	0.0065	0.0024	0.0032	0.0499
341	Information	0.0147	0.0030	0.0070	0.0443
354	Finance and Insurance	0.0438	0.0102	0.0226	0.2069
360	Rental Activities	0.0615	0.0035	0.0416	0.2038
367	Professional, Scientific, Technical Services	0.0176	0.0096	0.0120	0.1641
382	Administrative, Waste, Management Services	0.0151	0.0073	0.0091	0.2188
391	Educational Services	0.0024	0.0012	0.0013	0.0452
394	Social Services	0.0190	0.0117	0.0121	0.2223
395	Home Health Care Services	0.0018	0.0012	0.0013	0.0343

396	Medical Labs, Ambulatory Care Services	0.0041	0.0020	0.0029	0.0364
397	Private Hospitals	0.0136	0.0062	0.0070	0.1132
398	Nursing and Residential Care Facilities	0.0055	0.0032	0.0036	0.0972
402	Arts, Entertainment and Recreation	0.0025	0.0008	0.0012	0.0553
411	Accommodations	0.0002	0.0000	0.0001	0.0018
413	Food Services and Drinking Places	0.0154	0.0054	0.0079	0.2933
414	Other services	0.0124	0.0075	0.0078	0.2086
427	Government and Other	0.0105	0.0084	0.0100	0.1178
	Total	0.3290	0.1104	0.1960	2.8554

Table B.3 Details of Impact of $459,000 Shock to Regional Economy (Scenario 3)

Sector		Total Industry Output ($M)	Earned Income ($M)	Gross Regional Product ($M)	Employment
1	Farming	0.0037	0.0008	0.0012	0.0309
15	Natural Resources	0.0002	0.0000	0.0000	0.0022
16	Wood and Furniture Products	0.0015	0.0004	0.0005	0.0089
19	Support Activities for Agriculture and Forestry	0.0002	0.0002	0.0001	0.0061
20	Mining	0.0004	0.0001	0.0002	0.0012
33	Utilities	0.0238	0.0033	0.0134	0.0307
34	Construction	0.0096	0.0041	0.0048	0.0935
42	Food and Feed Manufacturing	0.0172	0.0016	0.0026	0.0413
75	Textiles and Apparel	0.0004	0.0001	0.0001	0.0016
104	Pulp, Paper and Printing Products	0.0028	0.0005	0.0008	0.0061
115	Petrochemical Manufacture	0.0038	0.0004	0.0006	0.0038
130	Fertilizer Manufacturing	0.0002	0.0000	0.0000	0.0002
132	Pharmaceutical and Allied Products	0.0002	0.0000	0.0001	0.0002
136	Plastics and Allied Products	0.0006	0.0001	0.0002	0.0019
151	Tire and Rubber Manufacture	0.0004	0.0001	0.0001	0.0011
153	Glass, Cement, and Allied Products	0.0008	0.0002	0.0003	0.0026
170	Metal Smelting and Refining	0.0002	0.0000	0.0000	0.0003
184	Fabricated Metal and Allied Products	0.0005	0.0001	0.0002	0.0018
203	Farm Machinery, Allied Product Manufacture	0.0003	0.0000	0.0001	0.0008
233	Electronic Equipment Manufacture	0.0004	0.0000	0.0001	0.0006
276	Motor Vehicle, Other Transport, Allied Manufacture	0.0002	0.0000	0.0000	0.0005
305	Other Manufacture	0.0003	0.0001	0.0002	0.0017
319	42 Wholesale Trade	0.0185	0.0080	0.0132	0.1096
320	Other Retail trade	0.0531	0.0234	0.0364	0.8163
324	Retail Stores-Food and Beverage	0.0097	0.0050	0.0066	0.1780
332	Transportation, Warehousing	0.0117	0.0043	0.0057	0.0901
341	Information	0.0266	0.0054	0.0127	0.0800
354	Finance and Insurance	0.0791	0.0184	0.0408	0.3739
360	Rental Activities	0.1111	0.0063	0.0752	0.3682
367	Professional, Scientific, Technical Services	0.0317	0.0173	0.0216	0.2965
382	Administrative, Waste, Management Services	0.0273	0.0133	0.0165	0.3953
391	Educational Services	0.0044	0.0021	0.0024	0.0817
394	Social Services	0.0343	0.0211	0.0218	0.4017
395	Home Health Care Services	0.0032	0.0022	0.0024	0.0620

396	Medical Labs, Ambulatory Care Services	0.0075	0.0036	0.0052	0.0657
397	Private Hospitals	0.0246	0.0113	0.0127	0.2045
398	Nursing and Residential Care Facilities	0.0100	0.0057	0.0065	0.1757
402	Arts, Entertainment and Recreation	0.0045	0.0015	0.0022	0.0999
411	Accommodations	0.0003	0.0001	0.0001	0.0032
413	Food Services and Drinking Places	0.0279	0.0097	0.0143	0.5300
414	Other services	0.0223	0.0135	0.0142	0.3769
427	Government and Other	0.0190	0.0152	0.0180	0.2128
	Total	0.5946	0.1995	0.3543	5.1599

Table B.4 Details of Impact of $510,000 Shock to Regional Economy (Scenario 4)

Sector		Total Industry Output ($M)	Earned Income ($M)	Gross Regional Product ($M)	Employment
1	Farming	0.0042	0.0009	0.0013	0.0343
15	Natural Resources	0.0002	0.0000	0.0000	0.0024
16	Wood and Furniture Products	0.0017	0.0005	0.0005	0.0098
19	Support Activities for Agriculture and Forestry	0.0002	0.0002	0.0002	0.0068
20	Mining	0.0004	0.0001	0.0002	0.0013
33	Utilities	0.0264	0.0036	0.0149	0.0341
34	Construction	0.0107	0.0046	0.0053	0.1038
42	Food and Feed Manufacturing	0.0191	0.0018	0.0029	0.0458
75	Textiles and Apparel	0.0004	0.0001	0.0001	0.0017
104	Pulp, Paper and Printing Products	0.0031	0.0005	0.0009	0.0068
115	Petrochemical Manufacture	0.0043	0.0004	0.0007	0.0042
130	Fertilizer Manufacturing	0.0002	0.0000	0.0000	0.0002
132	Pharmaceutical and Allied Products	0.0003	0.0000	0.0001	0.0003
136	Plastics and Allied Products	0.0007	0.0001	0.0002	0.0021
151	Tire and Rubber Manufacture	0.0005	0.0001	0.0002	0.0013
153	Glass, Cement, and Allied Products	0.0008	0.0002	0.0003	0.0029
170	Metal Smelting and Refining	0.0003	0.0000	0.0000	0.0003
184	Fabricated Metal and Allied Products	0.0006	0.0001	0.0002	0.0020
203	Farm Machinery, Allied Product Manufacture	0.0003	0.0000	0.0001	0.0009
233	Electronic Equipment Manufacture	0.0004	0.0000	0.0001	0.0006
276	Motor Vehicle, Other Transport, Allied Manufacture	0.0003	0.0000	0.0000	0.0006
305	Other Manufacture	0.0004	0.0002	0.0002	0.0019
319	42 Wholesale Trade	0.0205	0.0089	0.0147	0.1218
320	Other Retail trade	0.0590	0.0259	0.0404	0.9070
324	Retail Stores-Food and Beverage	0.0108	0.0055	0.0074	0.1978
332	Transportation, Warehousing	0.0130	0.0048	0.0063	0.1001
341	Information	0.0295	0.0060	0.0141	0.0889
354	Finance and Insurance	0.0879	0.0204	0.0453	0.4154
360	Rental Activities	0.1235	0.0070	0.0836	0.4091
367	Professional, Scientific, Technical Services	0.0352	0.0193	0.0240	0.3294
382	Administrative, Waste, Management Services	0.0303	0.0147	0.0183	0.4393
391	Educational Services	0.0049	0.0023	0.0026	0.0908
394	Social Services	0.0381	0.0234	0.0243	0.4464
395	Home Health Care Services	0.0036	0.0025	0.0026	0.0688

396	Medical Labs, Ambulatory Care Services	0.0083	0.0040	0.0058	0.0730
397	Private Hospitals	0.0274	0.0125	0.0141	0.2273
398	Nursing and Residential Care Facilities	0.0111	0.0063	0.0073	0.1952
402	Arts, Entertainment and Recreation	0.0050	0.0017	0.0024	0.1110
411	Accommodations	0.0003	0.0001	0.0002	0.0035
413	Food Services and Drinking Places	0.0310	0.0108	0.0159	0.5889
414	Other services	0.0248	0.0150	0.0157	0.4188
427	Government and Other	0.0211	0.0168	0.0200	0.2364
	Total	0.6607	0.2216	0.3936	5.7332

Table B.5 Details of Impact of $2,295,000 Shock to Regional Economy (Scenario 5)

Sector		Total Industry Output ($M)	Earned Income ($M)	Gross Regional Product ($M)	Employment
1	Farming	0.0187	0.0040	0.0060	0.1545
15	Natural Resources	0.0011	0.0000	0.0002	0.0108
16	Wood and Furniture Products	0.0074	0.0021	0.0024	0.0443
19	Support Activities for Agriculture and Forestry	0.0009	0.0009	0.0007	0.0306
20	Mining	0.0019	0.0005	0.0011	0.0060
33	Utilities	0.1189	0.0163	0.0670	0.1536
34	Construction	0.0482	0.0207	0.0238	0.4673
42	Food and Feed Manufacturing	0.0858	0.0082	0.0129	0.2063
75	Textiles and Apparel	0.0019	0.0004	0.0005	0.0078
104	Pulp, Paper and Printing Products	0.0138	0.0023	0.0039	0.0304
115	Petrochemical Manufacture	0.0192	0.0018	0.0032	0.0190
130	Fertilizer Manufacturing	0.0011	0.0001	0.0001	0.0009
132	Pharmaceutical and Allied Products	0.0012	0.0001	0.0003	0.0012
136	Plastics and Allied Products	0.0032	0.0006	0.0011	0.0095
151	Tire and Rubber Manufacture	0.0021	0.0004	0.0007	0.0057
153	Glass, Cement, and Allied Products	0.0038	0.0008	0.0013	0.0132
170	Metal Smelting and Refining	0.0011	0.0001	0.0002	0.0014
184	Fabricated Metal and Allied Products	0.0027	0.0006	0.0008	0.0089
203	Farm Machinery, Allied Product Manufacture	0.0015	0.0001	0.0003	0.0039
233	Electronic Equipment Manufacture	0.0018	0.0002	0.0004	0.0029
276	Motor Vehicle, Other Transport, Allied Manufacture	0.0011	0.0001	0.0002	0.0025
305	Other Manufacture	0.0017	0.0007	0.0009	0.0085
319	42 Wholesale Trade	0.0924	0.0400	0.0660	0.5482
320	Other Retail trade	0.2654	0.1168	0.1820	4.0815
324	Retail Stores-Food and Beverage	0.0486	0.0248	0.0332	0.8899
332	Transportation, Warehousing	0.0583	0.0217	0.0285	0.4504
341	Information	0.1328	0.0268	0.0633	0.4001
354	Finance and Insurance	0.3955	0.0918	0.2041	1.8693
360	Rental Activities	0.5556	0.0315	0.3761	1.8411
367	Professional, Scientific, Technical Services	0.1586	0.0867	0.1081	1.4825
382	Administrative, Waste, Management Services	0.1365	0.0663	0.0823	1.9767
391	Educational Services	0.0219	0.0105	0.0118	0.4085
394	Social Services	0.1713	0.1054	0.1092	2.0086
395	Home Health Care Services	0.0161	0.0112	0.0119	0.3098

396	Medical Labs, Ambulatory Care Services	0.0375	0.0179	0.0262	0.3286
397	Private Hospitals	0.1231	0.0564	0.0634	1.0227
398	Nursing and Residential Care Facilities	0.0501	0.0285	0.0327	0.8783
402	Arts, Entertainment and Recreation	0.0226	0.0076	0.0109	0.4997
411	Accommodations	0.0015	0.0004	0.0007	0.0160
413	Food Services and Drinking Places	0.1394	0.0485	0.0717	2.6498
414	Other services	0.1117	0.0675	0.0708	1.8846
427	Government and Other	0.0948	0.0758	0.0902	1.0640
	Total	2.9730	0.9973	1.7714	25.7995

Table B.6 Details of Impact of $2,586,000 Shock to Regional Economy (Scenario 6)

Sector		Total Industry Output ($M)	Earned Income ($M)	Gross Regional Product ($M)	Employment
1	Farming	0.0211	0.0045	0.0068	0.1741
15	Natural Resources	0.0012	0.0000	0.0002	0.0121
16	Wood and Furniture Products	0.0084	0.0024	0.0027	0.0499
19	Support Activities for Agriculture and Forestry	0.0011	0.0010	0.0008	0.0345
20	Mining	0.0022	0.0005	0.0013	0.0068
33	Utilities	0.1340	0.0184	0.0755	0.1731
34	Construction	0.0543	0.0233	0.0269	0.5266
42	Food and Feed Manufacturing	0.0966	0.0093	0.0146	0.2324
75	Textiles and Apparel	0.0021	0.0004	0.0006	0.0088
104	Pulp, Paper and Printing Products	0.0156	0.0026	0.0044	0.0342
115	Petrochemical Manufacture	0.0216	0.0020	0.0036	0.0214
130	Fertilizer Manufacturing	0.0012	0.0001	0.0001	0.0010
132	Pharmaceutical and Allied Products	0.0014	0.0002	0.0003	0.0014
136	Plastics and Allied Products	0.0036	0.0007	0.0013	0.0107
151	Tire and Rubber Manufacture	0.0024	0.0004	0.0008	0.0064
153	Glass, Cement, and Allied Products	0.0043	0.0009	0.0014	0.0148
170	Metal Smelting and Refining	0.0013	0.0001	0.0002	0.0015
184	Fabricated Metal and Allied Products	0.0031	0.0006	0.0010	0.0100
203	Farm Machinery, Allied Product Manufacture	0.0017	0.0002	0.0003	0.0044
233	Electronic Equipment Manufacture	0.0021	0.0002	0.0004	0.0033
276	Motor Vehicle, Other Transport, Allied Manufacture	0.0013	0.0001	0.0002	0.0028
305	Other Manufacture	0.0020	0.0008	0.0010	0.0096
319	42 Wholesale Trade	0.1041	0.0451	0.0744	0.6178
320	Other Retail trade	0.2990	0.1316	0.2051	4.5991
324	Retail Stores-Food and Beverage	0.0547	0.0279	0.0374	1.0028
332	Transportation, Warehousing	0.0657	0.0245	0.0321	0.5076
341	Information	0.1497	0.0302	0.0714	0.4508
354	Finance and Insurance	0.4457	0.1034	0.2299	2.1063
360	Rental Activities	0.6261	0.0355	0.4238	2.0745
367	Professional, Scientific, Technical Services	0.1787	0.0977	0.1218	1.6704
382	Administrative, Waste, Management Services	0.1538	0.0747	0.0927	2.2274
391	Educational Services	0.0247	0.0119	0.0133	0.4603
394	Social Services	0.1930	0.1187	0.1231	2.2633
395	Home Health Care Services	0.0181	0.0126	0.0134	0.3491

396	Medical Labs, Ambulatory Care Services	0.0422	0.0202	0.0295	0.3703
397	Private Hospitals	0.1387	0.0636	0.0714	1.1524
398	Nursing and Residential Care Facilities	0.0564	0.0322	0.0369	0.9897
402	Arts, Entertainment and Recreation	0.0255	0.0085	0.0123	0.5630
411	Accommodations	0.0017	0.0004	0.0008	0.0180
413	Food Services and Drinking Places	0.1571	0.0547	0.0808	2.9858
414	Other services	0.1259	0.0761	0.0798	2.1235
427	Government and Other	0.1068	0.0854	0.1017	1.1989
	Total	3.3500	1.1238	1.9960	29.0708

Table B.7 Details of Impact of VITA Program Budget ($200,000) Shock to Regional Economy (Scenario 7)

Sector		Total Industry Output ($M)	Earned Income ($M)	Gross Regional Product ($M)	Employment
1	Farming	0.0016	0.0003	0.0005	0.0135
15	Natural Resources	0.0001	0.0000	0.0000	0.0009
16	Wood and Furniture Products	0.0006	0.0002	0.0002	0.0039
19	Support Activities for Agriculture and Forestry	0.0001	0.0001	0.0001	0.0027
20	Mining	0.0002	0.0000	0.0001	0.0005
33	Utilities	0.0104	0.0014	0.0058	0.0134
34	Construction	0.0042	0.0018	0.0021	0.0407
42	Food and Feed Manufacturing	0.0075	0.0007	0.0011	0.0180
75	Textiles and Apparel	0.0002	0.0000	0.0000	0.0007
104	Pulp, Paper and Printing Products	0.0012	0.0002	0.0003	0.0026
115	Petrochemical Manufacture	0.0017	0.0002	0.0003	0.0017
130	Fertilizer Manufacturing	0.0001	0.0000	0.0000	0.0001
132	Pharmaceutical and Allied Products	0.0001	0.0000	0.0000	0.0001
136	Plastics and Allied Products	0.0003	0.0001	0.0001	0.0008
151	Tire and Rubber Manufacture	0.0002	0.0000	0.0001	0.0005
153	Glass, Cement, and Allied Products	0.0003	0.0001	0.0001	0.0011
170	Metal Smelting and Refining	0.0001	0.0000	0.0000	0.0001
184	Fabricated Metal and Allied Products	0.0002	0.0001	0.0001	0.0008
203	Farm Machinery, Allied Product Manufacture	0.0001	0.0000	0.0000	0.0003
233	Electronic Equipment Manufacture	0.0002	0.0000	0.0000	0.0003
276	Motor Vehicle, Other Transport, Allied Manufacture	0.0001	0.0000	0.0000	0.0002
305	Other Manufacture	0.0002	0.0001	0.0001	0.0007
319	42 Wholesale Trade	0.0081	0.0035	0.0058	0.0478
320	Other Retail trade	0.0231	0.0102	0.0159	0.3557
324	Retail Stores-Food and Beverage	0.0042	0.0022	0.0029	0.0776
332	Transportation, Warehousing	0.0051	0.0019	0.0025	0.0393
341	Information	0.0116	0.0023	0.0055	0.0349
354	Finance and Insurance	0.0345	0.0080	0.0178	0.1629
360	Rental Activities	0.0484	0.0027	0.0328	0.1604
367	Professional, Scientific, Technical Services	0.0138	0.0076	0.0094	0.1292
382	Administrative, Waste, Management Services	0.0119	0.0058	0.0072	0.1723
391	Educational Services	0.0019	0.0009	0.0010	0.0356
394	Social Services	0.0149	0.0092	0.0095	0.1750

395	Home Health Care Services	0.0014	0.0010	0.0010	0.0270
396	Medical Labs, Ambulatory Care Services	0.0033	0.0016	0.0023	0.0286
397	Private Hospitals	0.0107	0.0049	0.0055	0.0891
398	Nursing and Residential Care Facilities	0.0044	0.0025	0.0029	0.0765
402	Arts, Entertainment and Recreation	0.0020	0.0007	0.0010	0.0435
411	Accommodations	0.0001	0.0000	0.0001	0.0014
413	Food Services and Drinking Places	0.0121	0.0042	0.0063	0.2309
414	Other services	0.0097	0.0059	0.0062	0.1642
427	Government and Other	0.0083	0.0066	0.0079	0.0927
	Total	0.2591	0.0869	0.1544	2.2483

Table B.8 Details of Impact of Shock Run through Financial Services Sector ($2,586,000 Shock) (Scenario 8)

Sector		Total Industry Output ($M)	Earned Income ($M)	Gross Regional Product ($M)	Employment
1	Farming	0.0004	0.0001	0.0001	0.0038
15	Natural Resources	0.0000	0.0000	0.0000	0.0003
16	Wood and Furniture Products	0.0005	0.0001	0.0002	0.0029
19	Support Activities for Agriculture and Forestry	0.0000	0.0000	0.0000	0.0007
20	Mining	0.0001	0.0000	0.0001	0.0003
33	Utilities	0.0070	0.0010	0.0039	0.0090
34	Construction	0.0192	0.0082	0.0095	0.1860
42	Food and Feed Manufacturing	0.0010	0.0001	0.0001	0.0023
75	Textiles and Apparel	0.0000	0.0000	0.0000	0.0001
104	Pulp, Paper and Printing Products	0.0065	0.0011	0.0018	0.0143
115	Petrochemical Manufacture	0.0016	0.0002	0.0003	0.0016
130	Fertilizer Manufacturing	0.0001	0.0000	0.0000	0.0001
132	Pharmaceutical and Allied Products	0.0000	0.0000	0.0000	0.0000
136	Plastics and Allied Products	0.0001	0.0000	0.0000	0.0004
151	Tire and Rubber Manufacture	0.0002	0.0000	0.0001	0.0005
153	Glass, Cement, and Allied Products	0.0005	0.0001	0.0002	0.0017
170	Metal Smelting and Refining	0.0001	0.0000	0.0000	0.0002
184	Fabricated Metal and Allied Products	0.0004	0.0001	0.0001	0.0013
203	Farm Machinery, Allied Product Manufacture	0.0001	0.0000	0.0000	0.0002
233	Electronic Equipment Manufacture	0.0001	0.0000	0.0000	0.0002
276	Motor Vehicle, Other Transport, Allied Manufacture	0.0000	0.0000	0.0000	0.0001
305	Other Manufacture	0.0002	0.0001	0.0001	0.0009
319	42 Wholesale Trade	0.0034	0.0015	0.0024	0.0201
320	Other Retail trade	0.0020	0.0009	0.0014	0.0307
324	Retail Stores-Food and Beverage	0.0004	0.0002	0.0003	0.0071
332	Transportation, Warehousing	0.0113	0.0042	0.0055	0.0874
341	Information	0.0629	0.0127	0.0300	0.1894
354	Finance and Insurance	3.2973	0.7651	1.7010	15.5830
360	Rental Activities	0.0679	0.0039	0.0460	0.2251
367	Professional, Scientific, Technical Services	0.1052	0.0575	0.0717	0.9832
382	Administrative, Waste, Management Services	0.0670	0.0326	0.0404	0.9711
391	Educational Services	0.0002	0.0001	0.0001	0.0032
394	Social Services	0.0000	0.0000	0.0000	0.0000

395	Home Health Care Services	0.0000	0.0000	0.0000	0.0000
396	Medical Labs, Ambulatory Care Services	0.0000	0.0000	0.0000	0.0001
397	Private Hospitals	0.0000	0.0000	0.0000	0.0000
398	Nursing and Residential Care Facilities	0.0000	0.0000	0.0000	0.0000
402	Arts, Entertainment and Recreation	0.0034	0.0011	0.0016	0.0747
411	Accommodations	0.0002	0.0001	0.0001	0.0023
413	Food Services and Drinking Places	0.0239	0.0083	0.0123	0.4548
414	Other services	0.0374	0.0226	0.0237	0.6311
427	Government and Other	0.0183	0.0147	0.0174	0.2056
	Total	3.7391	0.9365	1.9706	19.6957

APPENDIX C: California Benefit Corporations Filing in 2012
(California Secretary of State Legal Office, 2015)

Entity Name	File Date	Entity #	Filing Type	Status	3rd-party standard
Strozzi Institute	1/1/2012	C3437497	ARTS	Active	GRI
The Ideal World	1/3/2012	C3183817	AMDT	Active	
Patagonia, Inc.	1/3/2012	C0928053	AMDT	Active	**B Lab**
Opticos Design, Inc.	1/3/2012	C2567406	AMDT	Active	**B Lab**
Sun Light & Power	1/3/2012	C0776034	AMDT	Active	**B Lab**
Thinkshift	1/3/2012	C3440275	ARTS	Active	**B Lab**
Give Something Back, Inc.	1/3/2012	C2666238	AMDT	Active	**B Lab**
JP & Sun, Inc.	1/3/2012	C2823125	AMDT	Active	**B Lab**
Great Pacific Iron Works	1/3/2012	C1249532	AMDT	Active	
Terrassure	1/3/2012	C3440701	ARTS	Active	
Lost Arrow Corporation	1/3/2012	C0660396	AMDT	Active	
Patigonia Provisions, Inc.	1/3/2012	C3195810	AMDT	Active	
Dopehut	1/3/2012	C3440273	ARTS	FTB Suspended	
Singularity Education Group	1/4/2012	C3459126	ARTS	Active	B Lab
The University of the Brain	1/4/2012	C3442324	ARTS	FTB Suspended	
Igobono, Inc.	1/9/2012	C3450926	ARTS	Dissolved	
Search Inside Yourself Leadership Initiative Inc	1/9/2012	C3442311	ARTS	Dissolved	
Get That You Matter, Inc.	1/25/2012	C3454403	ARTS	Active	
Cloud Currencies	1/25/2012	C3455926	ARTS	FTB Suspended	
Green Retirement Plans Inc.	2/1/2012	C2925645	AMDT	Active	**B Lab**
Farm From a Box, Inc.	2/6/2012	C3440627	ARTS	Active	
Bellevuee Renewal Power, Inc.	2/6/2012	C3456430	ARTS	Dissolved	
Artemia, Inc.	2/10/2012	C3452790	ARTS	Active	
Nella Terra Cellars, Inc.	2/14/2012	C3457186	ARTS	Active	
Dharma Merchant Serices, Inc.	2/16/2012	C3447072	ARTS	Active	**B Lab**
Scientific Certification Systems, Inc.	2/21/2012	C1263570	AMDT	Active	B Lab

The Art Project	2/23/2012	C3456547	ARTS	FTB Suspended	
Semperical, Inc.	3/1/2012	C3446712	ARTS	Dissolved	
Noble Fibre, Inc.	3/2/2012	C3447637	ARTS	FTB Suspended	
Rimon Law Group	3/21/2012	C2938749	AMDT	Active	**B Lab**
Jolly Samaritan, Inc	3/21/2012	C3463049	ARTS	FTB Suspended	
CGPA, Inc.	4/10/2012	C3468776	ARTS	Active	
Benefit Corporation Consultants, Inc.	4/10/2012	C3469575	ARTS	FTB Suspended	
WiSUN Alliance	4/17/2012	C3470321	ARTS	Dissolved	
Sustyware, Inc.	4/20/2012	C3470490	ARTS	Dissolved	
Yerdle	4/25/2012	C3464185	ARTS	Active	
Business Infra-Structure Support Services, Inc	4/27/2012	C3471572	ARTS	FTB Suspended	
CR Surf Travel Company	4/28/2012	C3471551	ARTS	Active	
@thefrontier, inc.	5/8/2012	C3469301	ARTS	Dissolved	
The Mediation Collective, Inc.	5/10/2012	C3469932	ARTS	Dissolved	
The Giving Tree Project Corporation	5/18/2012	C3459689	AMDT	SOS/FTB Suspended	
Gospel Blues Society, Inc.	5/22/2012	C3474357	ARTS	FTB Suspended	
Hard Block, Inc.	5/22/2012	C3485330	ARTS	FTB Suspended	
California Community Economic Development Benefit Corporation	5/29/2012	C3484777	ARTS	FTB Suspended	
Gay Travel Exchange, Inc.	5/29/2012	C3484552	ARTS	FTB Suspended	
Dogeared	5/30/2012	C2128905	REST	Active	**B Lab**
High Sierra Ice Cream, Inc.	5/31/2012	C3480722	ARTS	Dissolved	
Loconomics, Inc.	6/1/2012	C3364925	AMDT	Active	
Topcorner, Inc.	6/1/2012	C3482013	ARTS	FTB Suspended	
Silicon Valley Global Partnerships, Inc.	6/4/2012	C3480782	ARTS	Dissolved	
Global Brigades Ventures, Inc.	6/5/2012	C3477266	ARTS	Active	
Open University Of West Africa	6/7/2012	C3477797	ARTS	Active	

Mamakai	6/11/2012	C3484051	ARTS	Active	
Vermivision, Inc.	6/14/2012	C3407248	AMDT	Dissolved	
World Renaissance Education Group	6/21/2012	C3482620	ARTS	Active	
Aidtree, Inc.	7/11/2012	C3494516	ARTS	Active	
New Reality B-Corp.	7/17/2012	C3495003	ARTS	FTB Suspended	
California Bonzing Co.	7/23/2012	C3498159	ARTS	Active	
Norcal House of Chess	7/25/2012	C3498331	ARTS	FTB Suspended	
Howdy & Hello, Inc.	7/26/2012	C3495180	ARTS	Dissolved	
Varsity Technologies, Inc.	7/30/2012	C2074054	AMDT	Active	**B Lab**
Powerhive Inc.	8/1/2012	C3497391	ARTS	Dissolved	
B Revolution Consulting, Inc.	8/3/2012	C3498548	ARTS	FTB Suspended	
Upcyclity Inc.	8/6/2012	C3494197	ARTS	Active	**B Lab**
Simplefi	8/7/2012	C3495174	ARTS	Active	
Ckinetics Inc	8/7/2012	C3498682	ARTS	Active	BRR
Village Green	8/7/2012	C3498406	ARTS	FTB Suspended	
Accelerator Partners Benefit Corporation	8/14/2012	C3499861	ARTS	FTB Suspended	
Fletcher Chouindard Designs, Inc.	8/17/2012	C2003806	AMDT	Active	
Great Pacific Iron Works	8/17/2012	C1249532	AMDT	Active	
Lost Arrow Corporation	8/17/2012	C0660396	AMDT	Active	
Patagonia Provisions, Inc.	8/17/2012	C3195810	AMDT	Active	
The Happiness Institute	8/21/2012	C3498626	ARTS	Dissolved	
New Earth MUZiO, Inc.	8/27/2012	C3500560	ARTS	FTB Suspended	
New Thought Spirit In Business Benefit Corporation, Inc.	8/27/2012	C3502712	ARTS	FTB Suspended	
Edumite Inc.	9/12/2012	C3507415	ARTS	FTB Suspended	
Science Fiction Entertainment	9/18/2012	C3509358	ARTS	Active	
Fiscal Press, Inc.	9/20/2012	C3509368	ARTS	FTB Suspended	
Spirit In Business Benefit Corporations, Inc.	9/21/2012	C3509000	ARTS	Dissolved	
Cabfest, Inc.	9/26/2012	C3509260	ARTS	FTB	

				Suspended	
The Blkshp Enterprises, Inc.	11/7/2012	C3519969	ARTS	Active	
SocEnt Accelerator, Inc.	11/7/2012	C3519970	ARTS	Dissolved	
Lilypadsgs	12/19/2012	C3525348	ARTS	Active	
Global Legacy	12/19/2012	C3529932	ARTS	FTB Suspended	
California Coast & Country Homes, Inc.	12/31/2012	C3319642	AMDT	Active	
The Contract Court of Justice	12/31/2012	C3544451	ARTS	Active	

Red font indicates entity has two filings during the year.

APPENDIX D: California Benefit Corporations Filing in 2013 (California Secretary of State Legal Office, 2015)

Entity Name	**File Date**	**Entity #**	**Filing Type**	**Status**	**3rd-party standard**
Uchit Corporation	1/4/2013	C3537086	ARTS	Active	**B Lab**
Redhive Inc	1/15/2013	C3538820	ARTS	Active	
Small World Trading Co.	1/18/2013	C1520605	AMDT	Active	**B Lab**
Higher Legal Inc.	2/1/2013	C3177176	ARTS	Active	
All Across Africa	2/1/2013	C3532002	ARTS	Active	**B Lab**
Medical Phone Answers Now, Inc. A Benefit Corporation	2/6/2013	C3532524	ARTS	FTB Suspended	
Sparkwise, Inc.	2/11/2013	C3546012	ARTS	Active	
Capitol Corridor Ventures, Inc.	2/12/2013	C3533736	ARTS	Active	
Sustainability Now!	2/12/2013	C3546205	ARTS	Dissolved	
American Community Solutions, Inc.	2/19/2013	C3547775	ARTS	Active	
Mindspark, Inc.	3/5/2013	C3551774	ARTS	Active	
Indigena, Inc., A California Benefit Corporation	3/5/2013	C3563988	ARTS	Active	
Totl	3/7/2013	C3541813	ARTS	Active	
Create Collaborate Incubate, Inc.	3/21/2013	C3558776	ARTS	Dissolved	
Amp Your Impact, Inc	4/8/2013	C3481371	AMDT	Dissolved	
Restylr	4/11/2013	C3559927	ARTS	Active	*B Lab*
Channel Islands Outfitters Inc.	4/26/2013	C3317704	AMDT	Active	**B Lab**
Kimpacto, Inc.	5/2/2013	C3566225	ARTS	Active	**B Lab**
World Centric	5/7/2013	C2803531	AMDT	Active	**B Lab**
Café La Pena	5/17/2013	C3568081	ARTS	Dissolved	
Nanovated Benefit Corporation	5/20/2013	C3572667	ARTS	Active	B Lab
Star Biodegradable	5/20/2013	C3572607	ARTS	Dissolved	
Beloved Café, Inc.	6/5/2013	C3574801	ARTS	Active	
Recordlogix B Corp	6/14/2013	C3580379	ARTS	FTB Suspended	
Urbane + Gallant, Inc.	7/16/2013	C3590027	ARTS	Active	**B Lab**
CauseMobr	7/30/2013	C3592790	ARTS	Dissolved	
Water 4 Systems, A Benefit	8/2/2013	C3592905	ARTS	Active	

Corporation					
Capsity, Inc.	8/8/2013	C3595779	ARTS	Active	
Klean Kanteen, Inc.	8/28/2013	C0896871	REST	Active	**B Lab**
Staycurious Incorporated	9/3/2013	C3601567	ARTS	Active	B Lab
Little Bean Sprout, Inc.	9/6/2013	C3601362	ARTS	Active	
Klean Kanteen, Inc.	9/6/2013	C0896871	REST		
Epic Coffee, Inc.	9/18/2013	C3606437	ARTS	Active	
Prominence Films, Inc.	9/19/2013	C3606426	ARTS	Active	
Enventure Partners, Inc.	9/24/2013	C3606739	ARTS	Active	
2the5th Entertainment	9/26/2013	C3608292	ARTS	Active	
Vianova, Inc.	10/11/2013	C3536702	REST	Active	**B Lab**
Wang & Wang International Development Strategy, Inc.	10/17/2013	C3613673	ARTS	Active	
Earth Accounting, Inc.	10/23/2013	C3614666	ARTS	Active	
Girl Magic, Inc.	10/23/2013	C3614658	ARTS	Dissolved	
Sabio Enterprises Inc.	10/29/2013	C3615317	ARTS	Active	
Back To The Farm Incorporated	11/13/2013	C3619211	ARTS	Dissolved	
Panales Inc.	11/26/2013	C3622602	ARTS	Active	
Make It YOUR Business, Inc.	12/2/2013	C3622409	ARTS	Active	
Rozella	12/9/2013	C3625376	ARTS	Active	
Cyant, FPC	12/11/2013	C3625600	ARTS	xxActive	
Concerned Calpital, Inc	12/18/2013	C3626423	ARTS	Active	
Perlstein Lab, B Corp	12/18/2013	C3628542	ARTS	Dissolved	
Sencha Naturals, Inc.	12/19/2013	C3063385	REST	Active	**B Lab**
Jehova Jireh Community Housing Corporation A California Benefit Corp	12/30/2013	C3633491	ARTS	FTB Suspended	

Red font indicates entity has two filings during the year.

APPENDIX E: Benefit Corporations Information Compiled from Benefit / B Lab Reports

Entity Name	Main Output	Direct Public Benefits (direct product/ service)	Indirect Public Benefits (process/ transfer)	Primary benefits location**	Primary economic impact
Strozzi Institute	somatic leadership training	E	C	regional	indirect
Give Something Back, Inc.	Office Supply Distributor	C	A,C,G	regional	indirect
JP & Sun, Inc. (dba Solar Works)	PV solar equipment and installation	C	C	regional	indirect
Opticos Design, Inc.	architectural design/ sustainable community design	C	C, G	regional	indirect
Patagonia, Inc.	Apparel		C, B	regional and beyond	indirect
Sun Light & Power	Solar products and engineering	C	C	regional	indirect
Thinkshift	communications/ branding services for non-profits and sustainability-focused businesses	F	C, G	regional	indirect
Singularity Education Group	Technology education, research, and startup assistance for mission-driven enterprises	E, F	A,B,C,D,E,F,G	global	both

Green Retirement Plans Inc.	Retirement plan consulting/ financial planning	F	C	remote	indirect
Nella Terra Cellars, Inc.	Wine, event venue		C	regional	indirect
Dharma Merchant Serices, Inc.	credit card processing services		C, G	regional	indirect
Scientific Certification Systems, Inc.	Auditing, certification, and consulting services for sustainability-focused organizations	E	C,F,G	global	indirect
Rimon Law Group	Legal services	A	C,G	global	indirect
Dogeared	handcrafted jewelry		C	regional	indirect
Varsity Technologies, Inc.	I.T. services for education and nonprofits	A	C	regional	indirect
Upcyclity Inc.	e-commerce marketplace aimed at promoting recycling	C	C	market area	indirect
Ckinetics Inc	consulting and financial services focused on sustainability	A,C,F	G	remote	direct
Uchit Corporation (dba NEEV)	Handcrafted home goods	B	B,C,G	remote	both
Small World Trading Co. (dba EO Products)	Natural personal care products	D	C,G	remote	indirect
All Across Africa	Fair Trade baskets, handicrafts and jewelry	B	C,E,G	remote	direct

Restylr	Photography and promotion of upcycled fashion		C,G	unknown	indirect
Channel Islands Outfitters Inc.	Nature tours focused on conservation		C,G	regional	indirect
Kimpacto, Inc.	Financial and impact investment consulting	F	C,G	global	indirect
World Centric	Compostable single use food containers and tableware	C	C,G	market area	indirect
Urbane + Gallant, Inc.	Menswear	A, B	C,G	remote	direct
Klean Kanteen, Inc.	Reusable food and beverage containers	C	C,G	market area	indirect
Staycurious Incorporated	Platform for promoting self-directed learning	E	C	dispersed (Internet)	indirect
Vianova, Inc.	Socially-focused strategy consulting	A	C,F,G	regional	indirect
Sencha Naturals, Inc.	Green tea products	C	A,C,G	remote	indirect

APPENDIX F: B Lab Impact Report Scores

Entity Name	Environ-ment	Workers	Customers	*serving those in need*	Community	*job creation*	Goven-ance	report year
Give Something Back, Inc.	25	22	2	2	91	5	14	2012
JP & Sun, Inc. (dba Solar Works)	39	22	0		24	0	20	2014
Opticos Design, Inc.	22	**25**	0	0	**31**	5.2	**17**	2015
Patagonia, Inc.	**35**	**26**	7	0	31	**3**	**17**	2014
Sun Light & Power	40	27	0		41	3	15	2015
Thinkshift	13	N/A	25	0	52	0	16	2015
Green Retirement Plans Inc.	10	N/A	68	0	37	0	14	2014
Dharma Merchant Serices, Inc.	10	33	2	<1	46	2	15	2015
Rimon Law Group	10	33	3	1	20	2	16	2013
Dogeared	28	24	0	0	66	2	15	2015
Varsity Technologies, Inc.	11	22	26	14	13	0	19	2014
Upcyclity Inc.	33	0	4	0	45	0	22	2015
Uchit Corporation (dba NEEV)	30	0	0	0	59	0	16	2014
Small World Trading Co. (dba EO Products)	33	22	0	0	24	3	12	2014
All Across Africa	17	16	0	0	44	<1	16	2015
Channel Islands Outfitters Inc.	15	19	1	0	36	0	21	2015
Kimpacto, Inc.	6	0	30	8	34	0	12	2013
World Centric	37	24	0	0	43	2	17	2015

Urbane + Gallant, Inc.	28	0	0	0	64	0	21	2015
Klean Kanteen, Inc.	36	21	6	0	19	1	17	2014
Vianova, Inc.	8	0	51	16	32	0	19	2015
Sencha Naturals, Inc.	33	21	0	0	22	1	14	2014

APPENDIX G: Random Sample of California Corporations with 2012 Filings

2012	Entity #	Filing date	Status
	3507929	9/19/2012	FTB SUSPENDED
	3519306	11/5/2012	ACTIVE
	3491264	7/11/2012	SOS FORFEITED
	3485379	6/4/2014	SURRENDER
	3476592	5/31/2012	DISSOLVED
	3507294	9/12/2012	FTB SUSPENDED
X	3439041	12/29/2011	ACTIVE
	3534400	12/27/2012	ACTIVE
X	3531303	1/31/2013	FTB SUSPENDED
	3497635	8/15/2012	ACTIVE
	3502361	8/24/2012	FTB SUSPENDED
X	3535088	2/19/2013	ACTIVE
	3513157	10/19/2012	ACTIVE
	3516939	10/18/2012	ACTIVE
	3522760	11/26/2012	ACTIVE
X	3537454	2/26/2013	CONVERTED OUT
	3511263	10/10/2012	ACTIVE
X	3542370	2/1/2013	ACTIVE
	3454922	2/10/2012	FTB SUSPENDED
	3523505	12/11/2012	ACTIVE
	3439299	1/3/2012	ACTIVE
	3523646	12/13/2012	ACTIVE
	3510929	10/1/2012	ACTIVE
	3488302	7/11/2012	ACTIVE
	3485241	6/18/2012	ACTIVE
	3459456	3/6/2012	ACTIVE
X	3537409	2/26/2013	SOS SUSPENDED
	3481297	6/4/2012	ACTIVE
X	3535464	2/20/2013	ACTIVE

	3495509	7/27/2012	DISSOLVED
	3495496	7/18/2012	ACTIVE
	3522835	11/26/2012	ACTIVE
	3464182	4/25/2012	ACTIVE
	3470386	4/24/2012	ACTIVE
	3445367	2/23/2012	FTB SUSPENDED
	3492580	7/31/2012	FTB SUSPENDED
	3510316	9/24/2012	ACTIVE
	3525490	12/20/2012	ACTIVE
	3496496	8/2/2012	FTB SUSPENDED
X	3537857	1/9/2013	ACTIVE
	3527234	12/11/2012	DISSOLVED
	3487946	6/28/2012	ACTIVE
	3512024	10/15/2012	ACTIVE
	3451367	2/27/2012	FTB SUSPENDED
X	3542019	2/11/2013	ACTIVE
	3494577	7/24/2012	DISSOLVED
X	3538950	1/12/2013	ACTIVE
	3488033	6/28/2012	ACTIVE
	3446563	3/1/2012	ACTIVE
	3456662	4/3/2012	FTB SUSPENDED
	3446417	1/19/2012	FTB SUSPENDED
	3483378	6/8/2012	FTB SUSPENDED
	3477544	5/17/2012	ACTIVE
	3523264	11/28/2012	SOS FORFEITED
	3459604	3/7/2012	FTB SUSPENDED
	3489459	7/6/2012	ACTIVE
	3484031	6/13/2012	ACTIVE
X	3540153	1/22/2013	ACTIVE
	3461509	3/13/2012	FTB SUSPENDED
	3469653	5/9/2012	ACTIVE

	3458867	3/5/2012	ACTIVE
	3476237	4/9/2012	ACTIVE
	3482656	6/6/2012	FTB SUSPENDED
	3524059	12/3/2012	FTB SUSPENDED
X	3440082	12/16/2011	ACTIVE
	3482559	6/21/2012	ACTIVE
	3494119	7/24/2012	ACTIVE
X	3537555	**1/8/2013**	ACTIVE
	3449720	2/1/2012	ACTIVE
	3496437	8/2/2012	DISSOLVED
	3524136	11/26/2012	FTB FORFEITED
	3451154	1/19/2012	DISSOLVED
	3470179	4/23/2012	FTB SUSPENDED
	3483022	6/8/2012	FTB SUSPENDED
	3446982	1/20/2012	ACTIVE
	3464475	3/26/2012	ACTIVE
	3487069	6/15/2012	ACTIVE
	3531917	12/31/2012	FTB SUSPENDED
X	3527903	**1/8/2013**	ACTIVE
	3523073	11/19/2012	ACTIVE
	3526757	12/11/2012	DISSOLVED
	3491117	7/11/2012	DISSOLVED
	3490744	6/25/2012	DISSOLVED
X	3542264	**1/30/2013**	ACTIVE
	3517729	10/24/2012	FTB SUSPENDED
	3445375	2/23/2012	FTB SUSPENDED
	3513380	10/10/2012	ACTIVE
	3479296	6/1/2012	DISSOLVED
	3490903	6/25/2012	ACTIVE
	3447868	3/7/2012	FTB SUSPENDED
	3522192	11/16/2012	ACTIVE
	3500512	8/16/2012	DISSOLVED

	3498824	8/22/2012	ACTIVE
	3515191	10/19/2012	ACTIVE
	3490648	7/10/2012	FTB SUSPENDED
	3458508	3/2/2012	ACTIVE
	3449866	2/1/2012	SURRENDER
X	3485728	NOT FOUND	
X	3530813	1/31/2013	ACTIVE
	3523919	11/30/2012	ACTIVE
	3487117	6/22/2012	DISSOLVED
	3464512	3/26/2012	ACTIVE
X	3544315	2/5/2013	DISSOLVED
	3472650	4/2/2012	ACTIVE
	3515177	10/19/2012	FTB SUSPENDED
	3515910	10/30/2012	DISSOLVED
X	3528577	1/9/2013	ACTIVE
	3445048	2/22/2012	ACTIVE
	3470736	4/24/2012	FTB SUSPENDED

X indicates that sample was discarded because the entity was not found or the filing date was not within the year in question

numbers generated at random.com on 1/14/2016

random number range: 3437497 to 3544451

APPENDIX H: Random Sample of California Corporations with 2013 Filings

2013	Entity #	Filing date	Status
	3610403	10/8/2013	ACTIVE
	3612907	10/17/2013	ACTIVE
	3543303	3/11/2013	ACTIVE
	3541600	3/7/2013	ACTIVE
	3624733	12/10/2013	FTB SUSPENDED
	3629968	12/26/2013	FTB SUSPENDED
	3578876	6/13/2013	ACTIVE
X	3571271	NOT FOUND	
	3595866	8/13/2013	ACTIVE
	3618248	11/8/2013	ACTIVE
	3591639	8/5/2013	DISSOLVED
	3600044	8/29/2013	ACTIVE
	3561644	4/18/2013	ACTIVE
	3547309	3/27/2013	ACTIVE
	3559492	4/8/2013	ACTIVE
	3576601	5/28/2013	SURRENDER
	3567022	5/17/2013	ACTIVE
	3589170	7/22/2013	ACTIVE
	3624993	12/12/2013	ACTIVE
	3594495	8/8/2013	ACTIVE
	3562589	4/24/2013	FTB FORFEITED
	3614951	10/24/2013	ACTIVE
X	3633062	1/3/2014	FTB SUSPENDED
	3556958	3/21/2013	ACTIVE
	3600146	9/5/2013	ACTIVE
	3555260	3/19/2013	DISSOLVED
	3549732	2/25/2013	FTB SUSPENDED
	3606349	9/24/2013	ACTIVE
	3583404	6/24/2013	ACTIVE
	3541289	1/29/2013	ACTIVE

	3547572	3/28/2013	ACTIVE
	3553290	2/25/2013	ACTIVE
	3555214	3/19/2013	ACTIVE
	3617538	11/4/2013	ACTIVE
	3591715	7/26/2013	ACTIVE
	3628785	12/20/2013	ACTIVE
	3573332	5/22/2013	ACTIVE
	3593187	8/9/2013	ACTIVE
	3551028	4/10/2013	ACTIVE
	3540458	3/1/2013	FTB SUSPENDED
	3539344	3/1/2013	ACTIVE
	3540100	1/22/2013	SOS SUSPENDED
	3600773	8/29/2013	ACTIVE
	3558104	4/2/2013	DISSOLVED
	3598865	8/16/2013	ACTIVE
	3538344	1/10/2013	FTB SUSPENDED
	3602185	9/9/2013	DISSOLVED
	3589061	7/16/2013	ACTIVE
	3545643	2/13/2013	ACTIVE
	3605707	9/20/2013	ACTIVE
	3606246	9/24/2013	ACTIVE
	3608731	10/2/2013	ACTIVE

X indicates that sample was discarded because the entity was not found or the filing date was not within the year in question

numbers generated at random.com on 1/15/2016

random number range: 3537086 to 3633491

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